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their satisfaction with the existing system have followed the memorialists and been impressed by the comparative infrequency of grave judicial scandals in India having their cause in the joinder of functions, and by the certainty of their being exposed to light and remedied. Scandals may to some extent exemplify the defects of a system, but there can be no doubt that, whatever system be adopted, scandals must occur. Occasionally, very rarely I hope, we find the unscrupulous officer, less infrequently we find the incompetent officer, but not so seldom do we find the too zealous officer, perfectly conscientious, brimming over with good intentions, determined to remedy evils, but altogether unable to put into proper focus his own powers and duties and the rights of others. With officers of these types—and they cannot be altogether eliminated—occasional public scandals must occur, not only in India, but elsewhere, as a perusal of any issue of *Truth* will show. I see no reason for believing that they occur more frequently in India than in England or any other country; but this at least may be said for the Indian system of criminal administration, that in no country in the world is so perfect an opportunity given for redressing such scandals when they occur.

"But though the preponderance of opinion in the correspondence is as I have stated, a deeper search reveals considerable dissatisfaction with the existing system. This is expressed chiefly in the reports of judicial officers. The faults of the system are not to be gauged by instances of gross judicial scandals. They are manifested in the ordinary appellate and revisional work of the higher judicial tribunals. In one case a sentence will be more vindictive than might have been expected if the prosecution had been a private one. In another a conviction has been obtained on evidence that does not seem to be quite conclusive. In short, there is the unconscious bias in favour of a conviction entertained by the Magistrate who is responsible for the peace of the district, or by the Magistrate who is subordinate to that Magistrate and sees with his eyes. The exercise of control over the subordinate Magistrates by whom the great bulk of criminal cases are tried is the point where the present system is defective. This control indirectly affects the judicial action of the subordinate Magistrates. It is right and essential that the work of the subordinate Magistrates should be the subject of regular and systematic control, for they cannot be relied on more than any other class of subordinate officials to do their work diligently and intelligently without it. But if the control is exercised by the officer who is responsible for the peace of the district there is the constant danger that the subordinate Magistracy may be unconsciously guided by other than purely judicial considerations. I fully believe that subordinate Magistrates very rarely do an injustice wittingly. But the inevitable result of the present system is that criminal trials, affecting the general peace of the district, are not always conducted in the atmosphere of cool impartiality which should pervade a Court of Justice. Nor does this completely define the evil, which lies not so much in what is done, as in what may be suspected to be done; for it is not enough that the administration of justice should be pure; it can never be the bedrock of our rule unless it is also above suspicion.

"Those who are opposed to a separation of functions are greatly influenced by the belief that the change would materially weaken the power and position of the District Magistrate and would thus impair the authority of the Government of which he is the chief local representative. The objection that stands out in strongest relief is that prestige will be lowered and authority weakened if the officer who has control of the police and who is responsible for the peace of the district is deprived of control over the Magistracy who try police cases. Let me examine this objection with reference to the varying stages of the progress of a community. Under certain circumstances it is undoubtedly necessary that the executive authorities should themselves be the judicial authorities. The most extreme case is the imposition of martial law in a country that is in open rebellion. Proceeding up the scale we come to conditions which I may illustrate by the experience of Upper Burma for some years after the annexation. Order had not yet been completely restored and violent crime was prevalent. Military law had gone and its place had been taken by

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civil law of an elementary kind. District Magistrates had large powers extending to life and death. The High Court was presided over by the Commissioner, an executive officer. The criminal law was relaxed, and evidence was admitted which under the strict rules of interpretation of a more advanced system would be excluded. All this was rendered absolutely necessary by the conditions of the country. Order would never have been restored if the niceties of law as expounded by lawyers had been listened to, or if the police had not gone hand in hand with the judiciary. Proceeding further up the scale we come to the stage of a simple people, generally peaceful, but having in their character elements capable of reproducing disorder, who have been accustomed to see all the functions of Government united in one head, and who neither know nor desire any other form of administration. The law has become more intricate and advanced, and it is applied by the Courts with all the strictness that is necessary in order to guard the liberties of the people. Examples would be easy to find in India of the present day. So far I have covered the stages in which a combination of magisterial and police duties is either necessary or is at least not inexpedient. In these stages the prestige and authority of the Executive are strengthened by a combination of functions. I now come to the case of a people among whom very different ideas prevail. The educated have become imbued with Western ideals. Legal knowledge has vastly increased. The lawyers are of the people, and they have derived their inspirations from Western law. Anything short of the most impartial judicial administration is contrary to the principles which they have learned. I must say that I have much sympathy with Indian lawyers who devote their energies to making the administration of Indian law as good theoretically and practically as the administration of English law. Well, what happens when a province has reached this stage and still retains a combination of magisterial and police functions? The inevitable result is that the people are inspired with a distrust of the impartiality of the judiciary. You need not tell me that the feeling is confined to a few educated men and lawyers and is not shared by the common people. I grant that if the people of such a province were asked one by one whether they objected to a combination of functions, ninety per cent. of them would be surprised at the question and would reply that they had nothing to complain of. But so soon as any one of these people comes into contact with the law his opinions are merged in his lawyer's. If his case be other than purely private and ordinary, if for instance he fears that the police have a spite against him, or that the District Magistrate as guardian of the peace of the district has an interest adverse to him, he is immediately imbued by his surroundings with the idea that he cannot expect perfect and impartial justice from the Magistrate. It thus follows that in such a province the combination of functions must inspire a distrust of the Magistracy in all who have business with the Courts. Can it be said that under such circumstances the combination tends to enhancement of the prestige and authority of the Executive? Can any Government be strong whose administration of justice is not entirely above suspicion? The answer must be in the negative. The combination of functions in such a condition of society is a direct weakening of the prestige of the Executive.

"On these grounds the Government of India have decided to advance cautiously and tentatively towards the separation of Judicial and Executive functions in those parts of India where the local conditions render that change possible and appropriate. The experiment may be a costly one, but we think that the object is worthy. It has been consistently pressed on us by public opinion in India. I have had the pleasure of discussing the question with Indian gentlemen, among others with my colleagues the Hon'ble the Maharaja of Darbhanga and the Hon'ble Mr. Gokhale. Their advice coincides with my own view, that the advance should be tentative and that a commencement should be made in Bengal including Eastern Bengal. It is from Bengal that the cry for separation has come, and if there is any force in the general principles which I have expounded, it would appear that the need for a separation of police and magisterial functions is more pressing in the

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two Bengals than elsewhere. One cause may be found in the intellectual character of the Bengali, another in the absence of a revenue system which in other provinces brings executive officers into closer touch with the people, another in the fact that there is no machinery except the police to perform duties that are done elsewhere by the better class of Revenue-officer, another in the fact that there are more lawyers in Bengal than elsewhere, and another, I suspect, in the greater interference by the District Magistrate with police functions in Bengal than in other provinces. These may or may not be the real causes, but most certainly the general belief is that the defects of a joinder of functions are most prominent in the Bengals, and it is on those grounds that we have come to the conclusion that a start should be made in these two provinces.

"It is a very easy matter to propose as an abstract principle that magisterial and police functions should be separated, but in the descent to actual details the subject bristles with difficulties. A solution has been attempted, and it is being sent to the two Local Governments for criticism. It is desirable that it should be submitted to the criticism of the public at the same time. I may therefore now disclose the details. But in doing so I desire to state clearly that the tentative solution is not a final expression of the decision of the Government of India, and that it is merely a suggestion thrown out for criticism with the idea of affording assistance in the determination of a most difficult problem. The general principle outlined is that the trial of offences and the control of the Magistrates who try them should never devolve on officers who have any connection with the police or with executive duties, while on the other hand the prevention of crime should be a function of the District Officer and his executive subordinates who are responsible for the preservation of the peace of the district. The outlines of the scheme, stated baldly, and without discussion, are as follows :—

- (1) Judicial and Executive functions to be entirely separated to the extent that an officer who is deputed to executive work shall do no judicial work, and *vice versa*, except during the short period when he is preparing for departmental examinations.
- (2) Officers of the Indian Civil Service to choose after a fixed number of years' service whether their future career is to be judicial or executive, and thereafter to be employed solely on the career to which they have been allotted. The allotment to depend on choice modified by actuarial considerations.
- (3) Officers of the executive branch of the Provincial Civil Service and, if possible, members of the Subordinate Civil Service to be subject to the same conditions as in (2), though the period after which choice is to be exercised may be different.
- (4) During the period antecedent to the choice of career officers of both services to be gazetted to Commissioners' divisions and to be deputed to executive or judicial duties by the Commissioner's order.
- (5) During this period deputation from executive to judicial or *vice versa* must be made at intervals not longer than two years.
- (6) High Courts to be consulted freely on questions of transfer and promotion of all officers who have been permanently allotted to the judicial branch.
- (7) Two superior officers to be stationed at the head-quarters of each district, the District Officer and the senior Magistrate.
- (8) The District Officer to be the executive head of the district, to exercise the revenue functions of the Collector and the preventive magisterial powers now vested in the District Magistrate, to have control over the police, and to discharge all miscellaneous executive duties of whatever kind.

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(9) The magisterial judicial business of the district to be under the senior Magistrate, who will be an officer who has selected the judicial line—either an Indian Civilian or a Deputy Magistrate of experience. He will be the head of the Magistracy and his duties will be (1) to try important criminal cases, (2) to hear appeals from second and third class Magistrates, (3) to perform criminal revision work, and (4) to inspect Magistrates' Courts. In districts where these duties do not give him a full day's work he may be appointed an additional District Judge and employed in civil work and in inspecting Civil Courts. If, where the senior Magistrate is an officer of the Provincial Civil Service, it is considered inexpedient on account of his lack of experience to give him civil work, he may be appointed Assistant Sessions Judge. In either capacity he would give relief to the District and Sessions Judge.

(10) At head-quarters of districts, where there are at present Indian Civilians, Deputy Magistrates and Sub-deputy Collectors, a certain number to be deputed to executive and the remainder to judicial work.

(11) Sub-divisional boundaries to be re-arranged, and each district to be divided into judicial sub-divisions and executive sub-districts. The boundaries of these need not be conterminous. The area of a judicial sub-division to be such as to give the judicial officer in charge a full day's work, and similarly with executive sub-districts. Boundaries to be arranged so as to disturb existing conditions as little as possible.

(12) Thus the whole district is divided into—

A. Executive—

- (a) Head-quarters,
- (b) Sub-districts,

and also into—

B. Judicial—

- (a) Head-quarters,
- (b) Sub-divisions,

and the staff is divided into—

A. Executive, under the District Officer, namely:—

- (a) The District Officer.
- (b) A certain number of Indian Civilians, Deputy Collectors and Sub-deputy Collectors at head-quarters.
- (c) An Indian Civilian or Deputy Collector for each sub-district.

B. Judicial, under the senior Magistrate, namely:—

- (a) The senior Magistrate.
- (b) A certain number of Indian Civilians, Deputy Magistrates and Sub-deputy Magistrates at head-quarters.
- (c) An Indian Civilian or Deputy Magistrate for each sub-division.

(13) The District Officer to be empowered as a District Magistrate, and certain other executive officers to be empowered as first class Magistrates, solely for the performance of the preventive functions of Chapter VIII (omitting section 106) to Chapter XII of the Code of Criminal Procedure."

[*The Commander-in-Chief; the Lieutenant-Governor.*]

His Excellency THE COMMANDER-IN-CHIEF said:—"The Hon'ble Mr. Gokhale and some other Hon'ble Members alluded to a possible reduction in military expenditure consequent on the recent Agreement and the cordial relations which so happily exist between a great northern Power and ourselves.

"The Council may rest assured that this factor has by no means been lost sight of, nor has it been underrated; but it must be remembered that other weighty considerations affecting the external and internal security of this country have to be kept constantly in view."

His Honour THE LIEUTENANT-GOVERNOR said:—"Your Excellency, as there are but few points raised in this discussion to which I need refer in this place, I have very few remarks to make. On some points I shall have to speak in my own Council; and in respect to one, the immensely important matter of the relation of executive and judicial functions, it will be my duty to submit my views to the Government of India before communicating them to the public.

"I regret that the Government of India have not considered it advisable to give any assistance to Local Governments in respect of the expenditure involved in compensation to Government servants for the dearness of grain. This expenditure is not trifling. In Bengal it was about ten lakhs during the current year, and is estimated at about nine lakhs for next year. It is, in great degree, an indirect result of famine; and the analogy of the financial arrangements to assist Local Governments in famine relief, might lead to the hope of assistance here also. I do not, however, desire to press any complaint in view of the difficulties of the financial situation.

"I regret that while in almost all other provinces all the local rates have been surrendered to local purposes, the public works cess in Bengal is still taken as a part of the general revenues. I have no doubt, however, that the localisation of the public works cess is accepted as a reform to be undertaken at the earliest opportunity.

"I am thankful for the assistance given to enable the Local Government to continue to push forward much-needed reforms in the police. I congratulate my Hon'ble friend on his able and successful handling of a difficult situation. He has not been able to continue in some of its lines the liberal and beneficent policy which he has hitherto pursued; but, in spite of the existence of a famine, he has framed a budget which inspires nothing but hope.

"I should like in conclusion to say a word in regard to the remarks which have fallen from my Hon'ble friend Mr. Apcar regarding the Calcutta Improvement Scheme. I hail with pleasure the vigour of his statement of the necessity for that Scheme. I share with him the satisfaction with which he must have heard from the Hon'ble the Home Member that the scheme, while lost to our view, was making progress. We are not indifferent to the scheme; and we desire to push it forward.

"At the same time I should like to point out to my Hon'ble friend that his statement was somewhat defective. He read to us an indictment framed years ago against the sanitation of Calcutta. But he did not tell us whether every word of this is still true. That indictment pointed out defects which only a great improvement scheme will remove. But it also indicated great defects due to neglect of measures within the power of the Corporation. I do not know how far my Hon'ble friend's business or inclinations lead him into the city, and how far he could tell us of its present condition. I am sure that, if he has ascertained the facts, he will admit that things have improved very considerably not only in regard to the formerly neglected parts of ordinary sanitary work but also in regard to the treatment of bustis.

"In another respect my Hon'ble friend failed in applying his quotations of the literature of 1898 to the present time. He quoted Sir Herbert Risley's views as to the necessity for giving the mercantile community their true place in the work of the Corporation. He did not go on to tell us that the constitutional

[*The Lieutenant-Governor; Mr. Baker*]

charge which Sir Herbert Risley was advocating was then and there carried out, and that the mercantile community were called to a front place. Their responsibility for municipal work is real and most important. It has been so for ten years; and it will continue to be so. The Calcutta Improvement Scheme will not do everything. It will not relieve the Corporation of its responsibility for the sanitary state of Calcutta and for municipal work in general. The mercantile community took their place in the Corporation eagerly ten years ago. Lately there have been signs of the cooling of their zeal. Their loss of interest in the work would be a very great calamity. I trust that the remarks of my Hon'ble friend, and the deep draughts he offers of the vintage of 1898, may restore their former enthusiasm and prevent them from growing weary in well doing."

The Hon'ble MR. BAKER said:—"It is within the bounds of possibility that this may be the last occasion on which the debate on the budget will be conducted under the present regulations. Before next March comes round, it is at least conceivable that the reform of procedure indicated in the Home Department circular of the 26th August last, or something of that nature, may have come into operation. In this view I had the curiosity the other day to turn up the report of the first budget debate that took place under the regulations that are now in force. It was in 1893, just 15 years ago. It is true that the Council had not then been enlarged; that came a year or two later, and the total number of non-official Members was only five, one of whom, the Hon'ble Dr. Rash Behary Ghose, is an honoured Member of the Council at the present time. That was however the first occasion on which the Financial Statement was presented for discussion by the Council in accordance with the statute of 1892: and it is impossible not to be struck by the change that has come over the financial position, and also the character of the debate, during this period of 15 years.

"At that time the whole subject of Indian finance was overshadowed by the question of sterling exchange. The bottom seemed to have fallen out of silver altogether: it was anticipated that the United States would shortly cease their purchases: the Indian Mints were still open to free coinage; the Brussels Monetary Conference had separated without coming to any agreement; Lord Herschell's Committee was sitting, but no remedy had yet been devised for the grave danger which occupied men's minds in this country to the practical exclusion of everything else. Sir D. Barbour estimated exchange for 1893-94 at 1s. 2 $\frac{3}{4}$ d. to the rupee, and this rate eventually proved to be in excess of the actual figure. The Finance Minister was compelled to estimate for a deficit of over 1 $\frac{1}{2}$ crores in 1893-94, following on one of over a crore in the previous year, and he made it clear that his calculations must only be regarded as provisional and intended to fill the interval that must elapse till the currency problem had been settled one way or another. The capital grant for Irrigation Works was 75 lakhs, or just one-half of what we are now providing for next year. For Railway construction and development, those of our critics who are not satisfied with an allotment of 15 crores, may be interested to know that 15 years ago we were only able to provide 280 lakhs for State Railways and 307 lakhs for Companies' lines, or 587 lakhs in all, i.e., little more than 40 per cent. of the grant for next year.

"It is not, however, so much the alteration in the financial situation that I wish to dwell upon. What has impressed me most is the character of the debate in the Council of that day. It was a real debate on the budget. The speeches were for the most part a good deal briefer than has been the custom of late years, and scarcely any point was raised or question put which was not closely connected with the Statement before the Council. Thus Sir J. Mackay, the Commercial Member, discussed the all-important currency question, and vigorously advocated the adoption of the gold standard. Sir Griffith Evans criticised the Home charges, especially the cost of the India Office, commented on the growth of the Army charges, and urged that the deficit was really due in part to the retention of the famine grant. Another Member asked for information regarding the rupee loan, and suggested that a part of the cash balances should be invested. A fourth proposed to reduce the famine grant, commented on the variations between the percentage of collection charges in

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the different provinces, advocated the reduction of registration fees, and greater liberality in the issue of takavi loans. The Hon'ble Dr. Ghose confined himself to a very brief expression of doubt whether the time was opportune for the grant of compensation to the services for the fall in exchange. The replies of the official Members were rather longer, but I should imagine that the entire proceedings must have been completed before the luncheon interval.

" Anyone who has followed the discussions for some years past will readily perceive how far we have travelled since 1893. It has become a commonplace of criticism that the so-called budget debate bears little or no relation to the budget. The observations made range over almost the whole field of Indian administration, but a great proportion of the points that are pressed upon us have no financial bearing or only a nominal one. We are frequently told in the Press that these discussions are unreal and devoid of interest and that they lead to nothing. I think that this criticism may easily be pushed too far, for it is beyond doubt that many of the comments and suggestions that fall from Hon'ble Members, whether strictly relevant to the budget or not, are thoughtful, suggestive, and instructive and they commonly deserve and invariably receive the attentive consideration of Government. Many illustrations might be given of this, but I will merely point to the exclusion from our accounts of the transactions of Local Funds, of which a description was given in the Financial Statement, and which followed a suggestion made in last year's debate.

" However that may be, Your Excellency's Government have recognized the defects of the practice which prevails under the existing regulations, and have expressed their desire to bring the debates into closer relation with the financial policy and administrative decisions of the Government. I have endeavoured to show that those defects were less noticeable at the outset of the present system; they have been the growth of later years, and may possibly be connected with the greater size of the enlarged Council. If the Council is still further enlarged, the need for stricter regularity in procedure and closer insistence on the rules of relevancy will become imperative; and I think that the experience of 1893 (and, I may add, of other years also) shows that the debates need not thereby lose anything in force, freedom or value.

" In making these remarks, it is very far from my intention to make any reflection on the comments which we have heard today. On the contrary, I think that many of them are very much to the point; and I shall now proceed to reply to some of the more important among them.

" In the first place we take note of His Honour the Lieutenant-Governor's remarks about grain compensation. That is now a considerable charge on the Provincial finances and no provision was made for it in the present Provincial settlement. I had not realised that it was so much as 9 lakhs in Bengal, and I admit that is a heavy burden on the province. It is impossible to make any promise now, but I may say that we shall be ready to see what can be done when more favourable times comes round.

" I fear that I can hold out no expectation of any increase to the Provincial assignments to Burma. This question was fully and sympathetically considered last year and we are satisfied that this Province has, under its present settlement, received as much as it is fairly entitled to. I observe that its Budget provides for an expenditure of more than 97 lakhs for public works, which is far in excess of any other Province. For Railways I notice that the Railway Board have allotted considerably over 80 lakhs to various lines in Burma, and I think that is not an illiberal proportion of the total grant.

" I do not understand why the Hon'ble Member complains that Burma receives no part of the export duty on rice. That duty is not at all suitable for provincialisation, because it is liable to violent fluctuations according to the demand from India, and if we gave the Local Government a share in it, the Provincial finances would be liable to be upset by causes over which the Government had no control.

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"I am glad to learn, from the remarks that have fallen from the Hon'ble Mr. Sim, that the Madras Government appreciates the terms of the settlement which, subject to the Secretary of State's approval, has been framed for that Province. The traditions of Madras have long been characterised by economy and the careful management of its finances, and I do not doubt that the enhanced resources which will now be placed at its disposal will be usefully and economically applied.

"The Hon'ble Mr. Reynolds has pointed out that the expenditure which his Province has been forced to incur on famine relief in the two years 1907-1908 and 1908-1909 has largely exceeded the sum of 30 lakhs which represented the reserve of credit to which it was entitled under the scheme introduced last year. What he says is perfectly true. In the two years, the charge on this account will amount to $16\frac{1}{2}$ lakhs, and of this, under the terms of last year's scheme, 95 lakhs are Imperial, while $72\frac{1}{2}$ would have been Provincial had the Province been able to find the money. This means that the famine in the United Provinces falls into the third of the three categories provided for by the scheme. We acknowledge that further assistance is required, and, as is expressly explained in the body of the Financial Statement, that assistance is being freely given, though the full measure to be accorded cannot properly be determined till later on. I do not think that the Hon'ble Member need feel any apprehension that he will be dealt with in an illiberal spirit. Both he and also the Hon'ble Munshi Madho Lal have been good enough to acknowledge the favourable nature of the terms accorded in the new Provincial settlement, and that is evidence of our desire to deal with the United Provinces as handsomely as we can.

"As regards the other four Provinces which have been affected by the famine, but in a less degree, I have explained in paragraph 62 of the Financial Statement that last year's scheme has operated with entire success and has relieved their finances entirely from disorganisation.

"I have listened with interest to the Hon'ble Mr. Reynolds' account of the measures which the Local Government is organising to combat the ravages of plague. The same is being done in other Provinces where the epidemic has been most widely prevalent, especially Bombay and the Punjab, and the Government of India are hopeful that the special grants which they are now allotting for this purpose will enable every Local Government at least to make a beginning with this most important work. It has been alleged that the grants are inadequate. I think, however, that reasonable persons will admit that with the limited resources available in the present year, we have done as much as could fairly be expected, and it is moreover open to doubt whether, in the first year of the campaign, larger sums could be spent to advantage. I can give no pledge for the future: but it is betraying no secret to say that the matter is one which Your Lordship has very much at heart, and when better times come round, the public health will stand an excellent chance of sharing in any further assistance which it may be in our power to bestow.

"The Hon'ble Mr. Chitnavis has invited us to impose a protective import tariff in the interest of indigenous industries and further asks us to consider the question of abolishing the excise duty on Indian cotton piece-goods.

"I scarcely think that the Hon'ble Member can expect that any action will be taken on his suggestion. The last general election in England was fought mainly on the issues of tariff reform, preference and protection, and the verdict of the elector's was sufficiently decisive. If Your Lordship's Government were so misguided as to put forward proposals for the introduction of a protective tariff, it is not difficult to imagine the answer we should receive from the House of Commons, more especially as protective duties, if imposed at all, would necessarily be directed especially against British manufacturers who are far and away our principal rivals in the Indian market.

"Why the Hon'ble Member complains that the excise on Indian salt brings in a larger revenue than the corresponding import duty is difficult to understand. The rates of duty are exactly the same, and the only reason why the

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former is more productive is that much more salt is produced in India than is imported from abroad. I should rather have expected the Hon'ble Member to rejoice at this striking evidence of the flourishing condition of a truly swadeshi industry.

" The cotton excise duties are a subject on which it is necessary to speak with some reserve. We are all aware of the circumstances in which they were imposed in their present form in 1896; I do not think that those circumstances have undergone any material change since then; and if that is so, it seems to be certain that if Parliament were approached with a request for the abolition of the duties, the reply would be that this could only be permitted if the import duties on cotton goods were simultaneously removed. I do not know how the Hon'ble Member would regard such a contingency; but for my part, I should regard it as calamitous. The import duties on cotton piece-goods have latterly yielded over a crore of rupees per annum, and for the current year they are estimated to yield over $150\frac{1}{2}$ lakhs. Adding to this $32\frac{1}{2}$ lakhs for the excise duties, the total loss of revenue involved would be close upon a million and a quarter sterling. We are certainly not in a position to face any such sacrifice of revenue. Even this is by no means all. It would be quite indefensible to retain our general import tariff, if we exempt from it the largest and most important staple of import. If the cotton duties were abolished, it would be impossible for long to maintain the import duties on other goods, and the revenue from these—putting aside the duties on articles subject to a special tariff—amounts approximately to 3 crores. The Hon'ble Member's proposal would therefore lead us by rapid stages to a total loss of revenue of over $4\frac{1}{2}$ crores per annum and would place us in a position of extreme embarrassment. We should be compelled to redress the balance either by curtailing most necessary and desirable expenditure, or by the imposition of fresh and less appropriate taxation. In my view this would be doubly disastrous, for I venture to hold that there is scarcely any source of revenue which is so well adapted to the conditions of India as import duties, provided always that they are pitched on a moderate scale.

" Nor can I admit that the excise duties have in practice checked the development of the Indian mills. From 1896-97 to 1906-07 I find that the outturn of woven goods in these mills has increased from 81 million lbs. to 165 million lbs. or by 103 per cent., whereas the output of yarns, on which there is no duty, has increased by only 56 per cent in the same period.

" More than one Hon'ble Member has referred to the table relating to the taxation of Salt given in paragraph 41 of the Financial Statement, and some gentlemen seem to take exception to the figures of incidence per head of population, on the ground that the wealth of the various countries mentioned is different, and that therefore the true burden of the tax is not measured by its absolute amount. To that view I readily assent, but I would add that no inference on the subject was suggested or intended. My object in inserting paragraphs 40 and 41 of the Financial Statement was quite different. People in this country often speak as though India was the only country in the world which raises a revenue by taxing a necessary of life like salt. I desired to show that this was an entire mistake: and that if we do sin in this respect, at least we sin in numerous and respectable company.

" I note with pleasure the zeal of the Hon'ble Tikka Sahib in the cause of temperance. I can assure him that the matter is very seldom absent from our thoughts, and that we are making steadfast and unceasing efforts to prevent the evil of intemperance from arising in India. Three years ago, I pointed out in this Council how insignificant the actual consumption of alcohol is in India, and also showed that there had been a distinct reduction in the consumption per head during the past 20 years. Since then we have had the advantage of studying the valuable report of Sir James Thomson's Excise Committee of which I gave some account last year, and the Hon'ble Member may be assured that step by step we are bringing into operation the approved reforms which were advocated by that body.

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"I am sorry to learn that the Hon'ble Member is disposed to class tobacco with intoxicants. Tobacco may be abused like anything else: and no doubt it is deleterious to children. But when used in moderation I believe it to be free from objection. It certainly is one of the very few luxuries of the poor in this country, and I should be exceedingly sorry to see its legitimate use interfered with.

"In the Financial Statement I advisedly abstained from enlarging on the question of Railway finance, for the reason that this matter has been remitted by the Secretary of State for consideration by Sir J. Mackay's Committee, and until their report is received and considered it seems a mere waste of time for us to propound our views regarding it. I shall follow the same course now, and the only reason why I advert to the matter at all is that the Hon'ble Mr. Apcar may not be led to suppose that Government is either deaf or indifferent to the arguments which he has addressed to us with so much authority and force. The Committee is one of the strongest that could have been constituted for this purpose, and it is fair to anticipate that unless the problem is really insoluble (which is not to be believed), they will devise a satisfactory solution.

"His Excellency the Commander-in-Chief has alluded to the Convention with Russia, and the degree to which it affects the military situation in India. I will merely add that full account was taken of these considerations in framing our military budget, and that but for this it is probable that the estimate of special expenditure for the improvement of the Army might not have been fixed at the moderate figure at which it now stands.

"In the interesting and suggestive speech of the Hon'ble Maharaja of Darbhanga there is one proposal which concerns the Finance Department in a special degree. I refer to the suggestion that the budget should be presented early in January, and that the official year should terminate on the 31st December instead of the 31st March. It is clearly impossible to give an opinion off-hand on so sweeping a change, which might have more far-reaching consequences than would appear at the first glance. I will have the matter looked into, but *prima facie* I foresee considerable difficulty and not a few objections, and I am not sanguine that the change desired by the Hon'ble Member will commend itself to Government or the Secretary of State.

"I observe that Mr. Gokhale is inclined to doubt whether the financial situation is at present stronger than it was in 1900-01. I think, however, that if the late Sir Clinton Dawkins were alive, he would readily endorse my view. The Hon'ble Member refers to the Provincial deficits of 1½ crores and argues that if these are taken into account there would really be a deficit of 115 lakhs. I explained last year at some length how these Provincial surpluses and deficits operate, and I will not go over the ground again. But the plain truth is that these deficits are really an indication, not of weakness, but of strength. They mean that the Local Governments have built up reserves of cash or credit, on which they are able to draw in times of stringency, and which enable them to carry on the administration of the country unimpaired and without being crippled by the temporary contraction of their revenues. The Hon'ble Member acknowledges that the level of taxation has been lowered since 1900, but thinks that that does not alter the real character of the comparison. I think I understand what the Hon'ble Member means; but surely remissions of taxation aggregating some 5 crores of rupees per annum are a most substantial reserve of financial strength? That reserve had no existence eight years ago. I am unable to understand on what reasonable ground they can be left out of account in comparing the position at the two periods.

"Mr. Gokhale has asked us whether we cannot add another table to the Financial Statement in order to show our revenue and expenditure net, instead of gross as at present. There is so much pressure on our establishment at the time the budget is compiled that I am reluctant to add to their burdens by prescribing another statement. But *prima facie* it does not seem as if the statement which the Hon'ble Member desires would give much trouble, and

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I dare say that there might be some advantage in presenting the figures net as well as gross. I will therefore consider the suggestion and see what can be done. Meanwhile, I would ask him to look at the statement numbered E at page 93 of the Financial Statement. This seems to give most of the information he requires, and possibly it may be sufficient for his purpose.

"The Hon'ble Mr. Gokhale has renewed his appeal to us to apply our surpluses, not to the construction of public works but to expenditure on sanitation. This question has formed the subject of discussion at at least two recent budget debates, and I fear the Hon'ble Member and the Government are irreconcilably divided, and can only agree to differ. Apparently he would like us to set aside the whole or some part of each surplus as it occurs, and to hand it over in a lump to the Local Governments, not for immediate expenditure, but to be put into a separate pocket, and doled out from time to time for expenditure on local sanitation. Now the Government of India are fully alive to the importance of doing what is possible for the improvement of the public health, and the recurring grant of 30 lakhs which they have just assigned to Local Governments is some evidence of the interest they take in this matter. But the course advocated by the Hon'ble Member is not in our judgment the proper way to deal with the problem. It is a fundamental principle of modern public finance that current expenditure shall be met from current revenue. Sanitation is current expenditure, and should therefore be financed from current revenue, and not from windfalls. Cases may no doubt arise in which it is convenient or advantageous to apply an unexpectedly large surplus to some special object of a non-recurring character. When that has seemed to be the case we have not hitherto shown any pedantic insistence on theoretical principles. But it is not sound finance to attempt, as a regular procedure, to provide funds for a permanent and continuing public service from sources which are necessarily spasmodic and precarious. When a surplus does occur, it cannot as a rule be more usefully applied than in reduction of the national debt, which is the residuary legatee of all moneys not required for current expenditure. I should be only too glad if I could see the Hon'ble Member's hope realised, and a million sterling a year provided by Government for the improvement of public sanitation; though I fear that this consummation is likely to be delayed. But if it should ever come about, the money must be found from current revenue, and not be dependent on the occurrence of surpluses, large or small.

"The Hon'ble Mr. Gokhale has referred to the question of our cash balances, and has reminded us that in 1876-77 the Government of Lord Northbrook thought it sufficient to provide for a closing cash balance of $13\frac{1}{2}$ crores whereas for next year we estimate for one of 18 $\frac{1}{2}$. Mr. Gokhale mentions a figure of 25 or 30 crores; but, at least within recent times, we have never had a balance anywhere near that amount.

"It is however not really to the point to look at the closing balance of the year. What we have to consider is the period of minimum balances. There are certain months of the year, August, September, October and November (and sometimes also December), in which the revenue we receive is far less than their proportionate share. During those months therefore our balances always run down: and the end of November (or occasionally December) is ordinarily the time when our balances are lowest. It is of course essential that we shall at all times have sufficient till money in each of our numerous treasuries, which are over 250 in number scattered all over the country, to enable us to meet all our obligations at a moment's notice, without risk of even temporary default. Our position in that respect is that of a Bank with a number of branches, each of which must be maintained in a solvent condition on every day of the year. In 1888 Sir J. Westland, who had special experience of this subject, calculated that 8 crores of rupees was the lowest sum with which it was possible to carry on our treasury business. That is 20 years ago. Subsequently, as a result of the gradual development of our transactions, he raised this figure to 9 crores. Sir Edward Law, who paid much attention to the matter, again raised it to 10 crores: and since his time, it has been our policy to increase it still further to

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12 crores. I do not believe that that is a bit too much for safety, but as a matter of fact we have barely succeeded in reaching it. This figure of 12 crores represents the point below which our balances cannot safely be allowed to fall, even at the time when they are lowest, *i.e.*, ordinarily at the end of November. It necessarily follows that at other seasons they will automatically stand at a higher level. The figure of 18 $\frac{1}{4}$ crores which we reckon on for next year is merely the March equivalent of 12 crores, or thereabouts, in November. The increase since Sir J. Strachey's time is really very moderate. In 1876-1877 our total transactions in India, including capital and debt, receipts and disbursements, amounted to 204 crores. In 1906-1907 they had risen to 552 crores. The increase in our cash balances by less than 5 crores is manifestly in a far smaller proportion, and it would certainly have had to be very much greater had it not been for the great intermediate improvement in communications, which has enabled us to mobilise our resources with a rapidity that would have been impossible thirty years ago.

"We have heard a good deal today about the high range of prices, and the distress which this undoubtedly causes to certain classes of the population. Various opinions have been expressed on the subject and Government has been pressed to appoint a committee to enquire into the matter. Some days ago, in answer to a question in Council, the Hon'ble Mr. Miller stated that we were considering the question of appointing such a committee, which would include representatives of the public, to enquire into the matter. If that course should presently be adopted, it would clearly be inconvenient that we should prejudge the question now or commit ourselves in advance to any particular theory which further investigation might show to be ill-founded. In that view, I wish to add as little as possible to what has fallen from my Hon'ble Colleague on this subject.

"One suggestion however has been made which I do not wish to pass over altogether in silence. It has been suggested that the prevailing high prices of food grains may be connected in some way with the large additions that have been made to the rupee currency during the last few years. Here also, I do not wish to speak dogmatically, or to pledge the Government to any positive theory. I shall deal presently in more detail with Mr. Gokhale's remarks on this subject. But apart from detail there are two considerations which seem to be inconsistent with the view that has been put forward, and which will certainly require to be very fully examined and explained before the latter could be accepted.

"In the first place, the whole of the new coinage that we have undertaken during this period has been undertaken solely to meet the demands of trade. Not one single rupee has been added to the circulation except to enable us to meet those demands: and, so far from being ahead of trade requirements, it will I think be generally agreed that our tendency has been rather to lag behind them, and to work on too narrow a margin, until in 1906 we established the silver branch of the Gold Standard Reserve. Now, I would remind the Council of the dictum of Sir Clinton Dawkins on this subject. Eight years ago, he pointed out that 'as long as Government refrains from coining rupees except upon the demand of trade, there can be no dilution of the currency.' As I said just now, we have always invariably conformed most strictly to this condition, and if Sir C. Dawkins' principle is sound, as I believe it to be, our action cannot have led to any dilution of the currency. I am aware that it may be alleged that rupees coined in answer to trade demands may not be redundant so long as the demand exists, but that when it slackens off, they have no outlet, and then become redundant. I shall return to this a little later. But whether that be so or not, the history of the present rise of prices lends no colour to the argument. For the activity of Indian trade, and the consequent demand for currency, were as prominent and vigorous as ever down to August of last year: and if the argument were sound there would have been no redundancy until six months ago. Yet we know well that the rise of prices began long before then. In 1904, when the prices of food stuffs were lower

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than they had been for a decade, the index number of 7 selected food grains was 117. In 1905 it was 147; in 1906 it was 179; and in 1907 it was practically the same, *viz.*, 178. It is evident therefore that whatever the cause of the rise in prices may be, it must have been in active operation long before there was any possibility of a redundancy of the coinage.

"The second point to which I wish to draw attention is this. If it were the case that the cause for which we are seeking is to be found in the additions to the coinage, its effects would have made themselves apparent not merely in the prices of food grains, but in those of other principal staples as well. Now this is not the case. I have taken out the figures for a number of non-food staples, comparing the price in February 1908 with that in February 1906, and though they exhibit great differences, yet there are only three articles, *viz.*, oil seeds, cow hides, and raw tobacco, in which there has been an increase in price comparable to that which has taken place in food grains during the same period. Of the remainder some have remained stationary while others have actually decreased. Thus in the great cotton industry cotton yarn has fallen in value by 23.5 per cent, T. cloths by 14.3 per cent, longcloths by 7.3 per cent, and chadars by 12.2 per cent; and raw cotton has remained steady with a nominal advance of 2.28 per cent. Raw jute has fallen by from 24 to 36 per cent according to the marks; and gunny bags by 16.1 per cent, while Hessians have advanced by only 2.1 per cent. Petroleum has varied according to brands, but the average rise is only a little over 5 per cent, and buffalo hides have remained unchanged. If the increase of the currency was the *causa causans* of the rise in food grain prices, it must equally have tended to raise the price of each of these staples also; and those who hold that view will have to explain why it has failed to affect them.

"The only other remark I have to make on this subject is this. If the rise in the rupee price of food grains were really due to an excessive supply of rupees, one would naturally expect to see the gold value of the rupee depressed in something like the same proportion. Now that is notoriously not the case. That sterling exchange is inclined to be weak at the present moment is true, and in the Financial Statement I have endeavoured to trace the causes of this. But, except for a very short period in the end of November, the exchange value of the rupee has all along been maintained above gold export point, which means that it has maintained or very nearly maintained its parity with gold. So long as the rupee is linked with gold and not with silver, and represents a fixed fraction of a sovereign, rupee prices must bear a close relation to gold prices. India is by no means the only country which is experiencing high prices at present. The same phenomenon is also affecting countries so widely different as England, Germany, Egypt, and Japan. According to the index numbers of the *Economist*, gold prices have risen by 30 per cent during the five years ending July 1907, while the corresponding rise in rupee price of 7 selected food grains during the same period has been 26 per cent. I have no intention of committing myself on a matter so obscure and controversial, yet I may perhaps go thus far, that it would be a matter for little surprise if, as a result of enquiry, it should be found that the movements of rupee prices in India, in so far as they are not due to local and temporary causes, are traceable to some cause connected with the value of metallic money, both gold and silver, in the markets of the world.

"I will now return for a moment to the question of the additions made to the coinage in late years. The Hon'ble Mr. Gokhale has drawn attention to the large output of rupees during this period, and has told us that it greatly exceeds the average coinage before the mints were closed; and he suggests that the currency thus swollen may become redundant, and lead to a general rise of prices.

"There is not the least reason to apprehend any undue increase of the circulation. The fact is that the figures presented by the Hon'ble Member are quite misleading and give a most inaccurate view of the true facts. He gives us

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certain figures which he says represent the average annual coinage of rupees for a number of years *minus* old rupees recoined. But he omits the six years from 1894 to 1899 on the ground that during that period little or no coining was done. But the fact that no additions were made to the currency for six years is a most important element in the case, and it is wholly misleading to omit this period. Again, he makes no deduction for the recoinage of old rupees during the last three years, 1905 to 1907, but thinks that the number must have been small. That is quite incorrect. At all times, both before and since the closing of the mints, defaced and light weight rupees were constantly being withdrawn and recoined, and part of the new coinage was merely to replace these. But during the last few years we have gone much further than this. We have been calling in the rupees of the issues of 1835 and 1840, *i.e.*, all rupees issued before 1861. These are now never re-issued to the public, but are melted down and recoined and a very considerable part of the apparent additions to the coinage is merely the replacement of these. It is also necessary to deduct the 6 crores of rupees which have been coined for the silver branch of the Gold Standard Reserve, for these have not been put into circulation and never will be except temporarily to meet a sudden emergent demand. The correct figures to look at are those which represent the net additions to the coinage, year by year. We maintain a complete account of these, and I will ask the Council to accept them in lieu of those presented by Mr. Gokhale. If we examine these figures, we shall find that during the 15 years that have elapsed since the closing of the mints, the net additions to the coinage have amounted to a little less than $84\frac{3}{4}$ crores. This represents an average of a little more than $5\frac{1}{2}$ crores a year. Now in the 15 years immediately preceding the closing of the mints, the net additions to the coinage (after making the same allowance for withdrawals) amounted to over 105 crores of rupees, or slightly more than 7 crores a year. It is quite true that in the former period there was a certain diminution by melting and that this does not occur now. But on the other hand, as the volume of the circulation grows, the annual loss by wastage and wear and tear also increases, and it has been estimated that the yearly reduction at present is about as great as it was formerly. I may mention that this annual wastage has been estimated at about 4 crores a year. Moreover, during the last 15 or 20 years the population, wealth and trade activity of India have expanded enormously, and it is manifest that a much larger circulation is required now than was sufficient in former times. When in addition to these considerations it is remembered that the annual addition to the coinage is now less by $1\frac{1}{2}$ crores a year than it was 15 years ago, I do not think there need be the smallest apprehension of redundancy.

"If the above view is correct Mr. Gokhale's question is of no present practical importance, and I am generally averse from discussing questions which are merely academic. The suggestion moreover involves the assumption that a redundancy of currency is in fact possible, and that if it did occur it would lead to a rise of prices. This is a highly controversial matter and one which is quite inappropriate for discussion in this place. If however we assume for the sake of argument that the currency did become temporarily in excess of requirements, and that the excess was greater than could speedily be cleared off by ordinary wastage, then there is still no fear that such a condition of things could last. In a country with an automatic currency, when the circulation is temporarily redundant, the surplus flows away under the ordinary operations of trade in the form of exports of coin. That outlet is not available in India, because rupees can only be exported at their bullion value, and the loss of doing this would be prohibitive. But we have provided another outlet for the excess. This may be applied in two ways, *viz.*, either we may give gold in exchange for rupees, in which case the gold will be available for export; or, when this is inconvenient or impracticable, we may sell bills on London. This latter course was indicated in the Financial Statement, and was brought into operation two days ago. Each of these methods has the same effect on the currency. They draw off the surplus rupees, and withdraw them from the effective circulation until the demand once more revives and the temporary redundancy has ceased.

[*Mr. Baker; the President.*]

The machinery which enables us to apply these remedies consists of the gold in our currency reserve in India and London, and the gold securities and gold in the Gold Standard Reserve. These two resources combined now stand at over 20 millions sterling, or 30 crores of rupees, and if applied to this purpose would enable us on occasion to contract the circulation by about one-sixth of its total amount.

"In conclusion, I have only to acknowledge the generally favourable spirit in which the budget has been received by the Council, and the frank and friendly nature of the observations and criticisms which have been made upon it. We are well aware that it is not a progressive budget: we are in fact only marking time. But when it is remembered that we are combating a serious famine, which will cost us over 2 crores of rupees in direct famine relief besides suspensions and remissions of Land Revenue exceeding 3½ crores more, I think we have some reason to congratulate ourselves that we are indeed marking time, and not falling back. Of the latter there is neither sign nor apprehension, and, as I said last week, if the ensuing rains should be of a normal character, there is every reason to hope that the prosperity and progress of the country will speedily resume their forward course."

His Excellency THE PRESIDENT said:—"Last year it was my good fortune to be able to congratulate the Hon'ble Mr. Baker on the general prosperity which continued to assure the success of his financial policy, and though today we have been called upon to consider a Budget framed, I regret to say, under very different conditions, I cannot but express to him my appreciation, in which I know my Colleagues will share, of the administrative ability which has enabled him so well to meet a period of financial strain. We have again to deal with a famine, less serious no doubt than that of 1897 or 1900, but bringing with it much misery and suffering for the people of India, making heavy calls upon our revenue, and grievously delaying expenditure which last year we had every reason to hope might be still further devoted to the development of the country and the welfare of its population.

"The extent and severity of the present famine is perhaps not quite fully realised, or possibly the knowledge that far better machinery exists for coping with distress than was available in former years has relieved the anxiety of the public—forgetful of the demands entailed upon the public purse. The Hon'ble Mr. Baker has told us that in the present year over 2 crores of rupees have been already distributed in the afflicted districts, and that 2 crores are being provided for issue next year—in comparison with 2·3 crores in 1896—1898 and 2·9 crores in 1899—1901. But it is money well spent, for, with the terrible history of former famines still fresh in our memories, I cannot but think we may gratefully recognise the results of past experience in the administrative efficiency which has enabled us, with no greater strain, to provide for a famine area of approximately 150,000 square miles, with 1½ millions of persons in receipt of relief.

"And in the midst of all this distress a ray of sunshine lights up the gloomy outlook, for the ravages of the plague are weakening. The total deaths from plague in Bombay, the United Provinces and Punjab in 1908 are very much lower than those of the corresponding period in 1907. I find that in January and February of the latter year, the deaths in those provinces were 44,319 and 78,063 against 7,445 and 11,898 in January and February of this year, whilst the total deaths in January and February 1907 were 122,382 against 18,343 in the same months of this year—an enormous reduction in mortality, and, allowing for climatic influences, I trust that we may not be too sanguine in hoping that this terrible scourge is at last beginning to give way to scientific research and to the energy of our officers assisted by the people themselves. The Hon'ble Mr. Reynolds has told us of the efforts made by the Government of the United Provinces to familiarise the people with the idea of inoculation, and of the reassuring effects of His Majesty's gracious

[*The President.*]

letter of sympathy—and though I am well aware that, as the Hon'ble the Maharaja of Darbhanga has told us, the sources of plague, as of many other dire diseases, are to be found in the absence of effective sanitation, we must remember that effective sanitation in its modern sense is often opposed to long established customs which cannot be immediately thrown aside, and whilst persistently aiming at improvements in that direction we shall I am sure for long be compelled to rely much upon those experimental measures which have already been so beneficial when systematically adopted.

"To return for a moment to the famine. I cannot entirely follow the arguments of the Hon'ble Mr. Chitnavis as to its causes. He admits the necessary results of a failure of the monsoon, but wonders that the same cause does not produce the same disastrous results in other countries. Now all agricultural countries are peculiarly dependent on the seasons, drought and storms are everywhere answerable for much ruin, but I know of no agricultural country so peculiarly dependent on climatic conditions as India is on the monsoon. A failure in the monsoon must mean scarcity of produce, and consequent distress—and so I am afraid it must always be—except that I firmly believe that new conditions will arise as India develops, not to take the place of a good monsoon, but to afford employment and a livelihood to those who might otherwise have starved for want of food. In the present famine we have already seen something of such conditions, a demand for labour, high wages and easier means of leaving afflicted districts to gain employment elsewhere. As years go on, such conditions will, it is to be hoped, multiply and will more and more assist the opportunities for a livelihood. I agree with my Hon'ble Colleague that economic questions are amongst the greatest of future Indian problems. I am far from saying there is no political unrest, but I believe that we shall find much more genuine unrest, or rather much more justifiable unrest, in respect to economic difficulties than in the region of so-called politics. That unrest will be associated with the development of Indian home industries, for though India is, in the first place, an agricultural country, it is in the development of resources that India herself possesses that the increasing educated community must look for employment. India will require to cherish her young industries.

"It is on economic, and I would add on social, questions that the future of India so largely rests, questions full of difficulty both largely dependent for their solution on the people of India themselves. There is much in what the Hon'ble the Tikka Sahib has said as to social life in this country, but no one can know better than he does the strength of tradition and veneration with which it is surrounded and the difficulty of bridging the gulf which separates it from modern ideas, and yet with him I earnestly hope that the clouds are beginning to lift,—that we are beginning to look further ahead,—and that racial differences of thought and custom will grow less and less.

"We have been told today of the efforts the Government of India is making to improve its administration in the interests of the people. The Hon'ble Mr. Miller has very ably explained to us the practical and scientific line upon which agricultural interests are being dealt with, and has told us of the success so far obtained by the newly introduced Co-operative Credit Societies in providing capital for agriculturists and of the development of the vast wealth of India's forests; and we have heard too of the many measures in progress to meet the growing demands of trade at Indian ports, amongst them the great work at Rangoon which the enormously increased commerce of Burma has rendered necessary. The outlook for the future is full of promise, but I am aware of the justice of some of the criticisms we have today listened to, such as the natural demand for improved internal communication in proportion to rapidly-growing requirements, dependent largely upon a railway administration, which we must admit has not as yet proved itself quite capable of satisfactorily meeting the calls upon it. I need only

[*The President.*]

say that railway administration is now in the crucible, and that I hope a system will be evolved which will keep pace with the times.

"The Hon'ble the Maharaja of Darbhanga has alluded to the Calcutta Improvement Scheme—the evidence that much requires to be done stares us in the face—it is not creditable to a great city that a congested population should have been for so long allowed to exist in its midst with the machinery of sanitation either non-existent or neglected,—in circumstances fraught with danger not only to itself, but to surrounding districts.

"The Hon'ble Sir Harvey Adamson has explained the intentions of the Government of India in respect to the scheme which has its warm sympathy. The delay in carrying it out has been unfortunate; at the same time there have been difficulties connected with its furtherance, peculiar to Calcutta, there has been a dearth of Government land, and of assets upon which necessary funds could be raised. I trust that such difficulties have now been overcome.

"The Hon'ble the Maharaja has drawn attention, as have other of my Hon'ble Colleagues, to the necessity for a reduction in military expenditure—a criticism to which His Excellency the Commander-in-Chief has referred. The Anglo-Russian Convention has not unnaturally drawn attention to such considerations; but, welcoming as I do the confirmation of friendly relations with our great neighbours, I cannot admit that any treaty would justify us in allowing our sword to grow rusty in its sheath. My Hon'ble Colleagues are very right in taking exception to extravagance in military expenditure, but I would venture to point out that reduction of expenditure on such a complicated matter as the army cannot be undertaken hastily without incurring grave risks, and a diminution in efficiency which it would be impossible to restore on the sudden appearance of unforeseen emergency.

"The most expensive weapon may be the cheapest in the long run. We may justly claim the recent expedition as an example. His Excellency Lord Kitchener's military organisation enabled us to draw a sharper and better tempered sword than we have ever drawn before—the machinery of the expeditionary force had been tested in the Commander-in-Chief's workshop before it took the field, and, when it did so, it was complete in every detail; the result has been an expedition of exceptional success and brevity, and brevity means economy. If India had preferred a cheaper weapon, we should have had to pay, and pay heavily, for loss of time, to say nothing about loss of life. Short as the expedition was, I hope its lessons will not be thrown away, and that the acceptance of a sound military administration may enable us to look forward with confidence to the great responsibilities of the future.

"Now that the Calcutta session of the Government of India has come to a close, I cannot but recall the words I addressed to my Colleagues at our last Budget debate in reference to the political future, and the reforms which the Government of India had ventured to submit to the Secretary of State. I then gave an assurance that no legislation in connection with those reforms should be undertaken before the public in India and at home had had ample opportunity for an expression of opinion on the proposals we had placed before them.

"Those proposals have now been published and submitted to Local Governments, all of whose replies have not as yet been received. The Government of India has always been anxious for the opinions and the criticisms of the public, and it is to that source they largely look for independent advice; but I confess I was hardly prepared, if my interpretation of his remark is correct, for the concluding portion of the Hon'ble Mr. Gokhale's speech. He tells us that many things have happened during the last few years, but he omits to notice the efforts made by the Government of India to meet the representations put forward in these years, whilst he criticises the action of a Secretary of State, who, whilst determined to support law and order, has been throughout sympathetically in touch with the justifiable aspirations of the people of India.

"My Hon'ble Colleague talks of the Government of India advancing and receding. They have advanced, but they have not receded; they have placed

[*The President.*]

certain proposals for the amelioration of the political position in India before the Indian public, and they have asked that public for its opinion. My Hon'ble Colleague passes by the request that the Government of India have made—not only that, in the face of that offer of reforms he has attributed to us hesitation and want of appreciation of the ambitions of the people of this country. I hope however that, when this Council next assembles, measures will have been accepted by His Majesty's Government and will be ready for legislation here, and which will go far to meet the aspirations of those who have the welfare of the Indian people at heart."

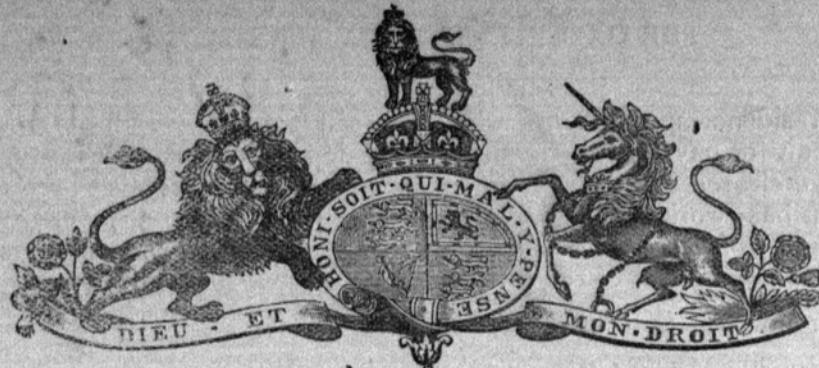
The Council adjourned *sine die*.

J. M. MACPHERSON,
Secretary to the Government of India,
Legislative Department.

CALCUTTA ;

The 27th March, 1908.





The Gazette of India.

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SIMLA, SATURDAY, JUNE 13, 1908.

Separate paging is given to this Part in order that it may be filed as a separate compilation.

PART VI.

Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations.

GOVERNMENT OF INDIA.

LEGISLATIVE DEPARTMENT.

PROCEEDINGS OF THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA, ASSEMBLED
FOR THE PURPOSE OF MAKING LAWS AND REGULATIONS UNDER THE
PROVISIONS OF THE INDIAN COUNCILS ACTS, 1861 AND 1892
(24 & 25 VICT., CAP. 67, AND 55 & 56 VICT., CAP. 14).

The Council met at Viceregal Lodge, Simla, on Monday, the 8th June, 1908.

PRESENT:

His Excellency the Earl of Minto, P.C., G.C.M.G., G.M.S.I., G.M.I.E., Viceroy and Governor General of India, *presiding*.

His Honour Sir Louis William Dane, K.C.I.E., C.S.I., Lieutenant-Governor of the Punjab.

His Excellency General Viscount Kitchener of Khartoum, G.C.B., O.M., G.C.M.G., G.C.I.E., Commander-in-Chief in India.

The Hon'ble Mr. H. Erle Richards, K.C.

The Hon'ble Mr. E. N. Baker, C.S.I.

The Hon'ble Major-General C. H. Scott, C.B., R.A.

The Hon'ble Sir Harvey Adamson, Kt., C.S.I.

The Hon'ble Mr. J. O. Miller, C.S.I.

The Hon'ble Mr. W. L. Harvey, C.I.E.

The Hon'ble Munshi Madho Lal.

The Hon'ble Tikka Sahib Ripudaman Singh of Nabha.

The Hon'ble Nawab Saiyid Muhammad Sahib Bahadur.

The Hon'ble Mr. W. R. H. Merk, C.S.I.

INDIAN SALT-DUTIES BILL.

The Hon'ble MR. BAKER moved for leave to introduce a Bill to make special provision for the payment of duty on salt in certain cases. He said:—
“ My Lord, under an arrangement which is at present confined to the Madras and

Bombay Presidencies, merchants who buy salt from Government sources are allowed credit for payment of the duty ; they deposit adequate security, and their accounts are cleared every six months, or at shorter intervals if so arranged. The system has worked well and smoothly ; it tends to cheapen salt to the consumer and to facilitate its distribution. The Bill now presented is intended to allow of the extension of the same system to other parts of India."

The motion was put and agreed to.

The Hon'ble MR. BAKER introduced the Bill.

The Hon'ble MR. BAKER moved that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in the Gazette of India in English, and in the local official Gazettes in English and in such other languages as the Local Governments think fit.

The motion was put and agreed to.

LOCAL AUTHORITIES' LOAN (AMENDMENT) BILL.

The Hon'ble MR. BAKER moved for leave to introduce a Bill to amend the Local Authorities' Loan Act, 1904. He said :—" My Lord, that Act was passed to enable certain local authorities to borrow money by means of the issue of short-term bills. In practice it has been found that in some cases the documents on which the loans are sought to be raised are promissory notes in form, rather than bills in the ordinary banking and commercial sense. Doubts have been expressed whether the word 'bills' is strictly sufficient to include promissory notes ; and though no practical difficulty has arisen, it seems expedient to amend the Act so as to place the matter beyond doubt."

The motion was put and agreed to.

The Hon'ble MR. BAKER introduced the Bill.

The Hon'ble MR. BAKER moved that the Bill, together with the Statement of Objects and Reasons relating thereto, be published in English in the Gazette of India and in the Fort St. George Gazette, the Bombay Government Gazette, the Calcutta Gazette and the Burma Gazette.

The motion was put and agreed to.

EXPLOSIVE SUBSTANCES BILL.

The Hon'ble SIR HARVEY ADAMSON moved for leave to introduce a Bill further to amend the law relating to explosive substances. He said :—" My Lord, I do not think that I need explain to the Council at any length the reasons why the Government of India have thought it necessary to introduce a Bill to deal with explosive substances.

" The nature of the danger which we have to meet has been revealed in the recent attempts to derail by explosive bombs the train of the Lieutenant-Governor of Bengal, in the attempt on the life of the Mair of Chandernagore, in the terrible murders of two ladies at Muzaffarpur, in the discovery of a bomb factory in Calcutta, in the subsequent attempt to destroy a tramway car, and in the deposit of a bomb of great power in the precincts of a church, and last but not least in the revelations as to the objects of certain newspapers whose aim is to incite to assassination. The nature of the dangers which we have to meet is known to everybody in and out of this Council. The present Bill deals with the danger in respect of explosive substances. I propose subsequently to introduce a Bill dealing with dangerous newspapers. We have to cope with an organised band consisting unhappily not of the men of the lower criminal classes, but educated men who are banded together against all the interests that keep society alive, men who like pirates are the enemies of the human race. Knowing the danger before us—a danger which in India is new—we must meet it by new remedies, not in the spirit of panic, but in a cool and resolute spirit and with a determination to strangle those plans and put down the authors of them. The first line of defence we have against these dangers is to be found in the police, and I desire in the

first place to pay my tribute to the splendid services which the police of Bengal have within the last few weeks rendered to the cause of society. The next line of defence which we have is to be found in the penalties of the law. First we have the Explosives Act of 1884. But that Act is not directed against persons possessing explosives with a criminal object. It is intended to defend life and property against the reckless or careless use of a dangerous commodity. The highest penalty in the Act is a fine of three thousand rupees. Next we have the Arms Act of 1878. The penalties in it are directed against the unlicensed manufacture or possession of arms, ammunition or military stores, and the maximum punishment is imprisonment for three years, except where the criminal act is done in such a manner as to indicate an intention that such act may not be known to a public servant, in which case the maximum punishment is imprisonment for seven years. These punishments are obviously insufficient for the making or possession of explosives with the intent to endanger life or to cause serious injury to property, even if the act itself could always be brought within the provisions of the Arms Act. Finally, we have the Indian Penal Code which provides only for the actual committing of hurt or mischief by an explosive substance, and in which the punishment has various ranges up to transportation for life, dependent on the extent of hurt or damage which it is intended to commit. Here again the remedy is inoperative, because no offence has been committed until an attempt has been made to commit hurt or mischief, and in that attempt some overt act has been done. It must therefore be perfectly obvious to any one that the existing law is not sufficient to meet the new emergency which has arisen, and I think it unnecessary to enlarge on this aspect of the case. The defects of the existing law it is the object of this Bill to amend, and I think I shall best do what is useful by simply going through the Bill. Where an explosion takes place which leads to the loss of life, that is not dealt with in the Bill. It is not necessary to do so because if a man produces an explosion by which life is lost he is guilty of murder, and would be dealt with for murder without the Bill. The third clause of the Bill deals with an explosion which has not caused loss of life, but with the case where an explosion has actually taken place. It is wide enough to include any serious explosion, because no explosion of a serious character could fail to be described as one likely to endanger life or to cause serious injury to property. It provides a penalty which may extend to transportation for life or to imprisonment for ten years, and I am sure that no one will think that this is a penalty which is too severe for the offence. The fourth clause of the Bill deals with the case where there has not been an explosion, but where there has been an intent and an attempt to cause an explosion. It also includes the making or possession of explosives with intent to endanger life or property. That is a degree lower because the explosion has not actually taken place. In either case the intent has to be proved, and when such an intent has been proved, no one will say that the maximum penalty, which is transportation for twenty years or imprisonment for seven years, is too high. The fifth clause relates to the making or possession of explosives under suspicious circumstances. I will read it—

‘Any person who makes or knowingly has in his possession or under his control any explosive substance, under such circumstances as to give rise to a reasonable suspicion that he is not making or does not have it in his possession or under his control for a lawful object, shall, unless he can show that he made it or had it in his possession or under his control for a lawful object, be punishable.’

“In the first place, the prosecution must raise a reasonable suspicion as to the conduct of the man who makes an explosive or has it in his possession: and having raised that suspicion, then it is thrown on the prisoner to show that he made or had it in his possession for a lawful object. It is perfectly justifiable when reasonable suspicion has been shown to exist with reference to the conduct of people who cannot or else will not give any account of themselves, or why they are in possession of a commodity which even by mere carelessness may be destructive of thousands of lives and of an unlimited amount of property, that they should be called upon to show the reason why they are possessed of these things. This legislation is not of an unexampled character. It is part of the permanent law of this country. In the presidency-towns, if a man is found in the night armed with a dangerous and offensive weapon or having in his possession without lawful excuse—

proof of which excuse lies upon him—any implement of house-breaking, then he shall be convicted. If a man may be called upon to show the reason why he has a picklock in his possession, I think he may be called upon to show also by what right he possesses a hundred weight of nitro-glycerine, and therefore I say this legislation is founded on exactly the same principle as that of our existing and permanent law, and no objection whatever can be taken to this clause on that ground. In consideration of the fact that the onus of proof is thrown on the accused we have followed the English law and put a lower penalty upon the offence in this clause, the maximum being transportation for 14 years or imprisonment for five years.

" The sixth clause is one which is perhaps partly covered by the permanent law of abetment. But it is desirable that public attention should be called to the fact that it is not only the man who makes an explosive or the man who places it where an explosion takes place, who is guilty of a crime, but that every man who supplies money or solicits money for the purpose or in any way procures, counsels, aids, abets or is accessory to the commission of an offence under this Act is liable to suffer exactly the same penalty as if he had been guilty as a principal.

" I now come to clause 7 where there is a protection against innocent people being vexed under this Bill, and that is, that no Court shall proceed to trial of any offender without the sanction of the Local Government, and therefore if through the police or otherwise an innocent man is arrested and gives an account of himself, the whole matter will if necessary go before the Local Government and the proceedings will come to an end.

" There remains the definition clause, which is a clause of great importance. The expression 'explosive substance' applies not merely to explosives themselves, but, what is absolutely essential, it applies to all their materials. If you do not do that, you do nothing. If you allow a man to have in one room sulphuric acid, in another room nitric acid, and in another room glycerine and you are to await till he combines the three, he will defy your law. It is absolutely necessary that all the materials which may be used in the composition of explosives should be brought within the scope of the law. I am well aware that there are many materials of explosives, like saltpetre or sawdust, which may be perfectly innocent in themselves; but no man will be punished unless he has those materials in his possession in such a way as to raise a suspicion that they are intended to be used for an improper purpose. And it is necessary also not only to deal with the materials for making any explosive substance but also with the apparatus and machinery that are intended to set the explosive materials at work. The definition therefore makes mention of—

" any apparatus, machine, implement or material used or intended to be used or adapted for causing or aiding in causing any explosion in or with any explosive substance, also any part of such apparatus, machine or implement."

" That will deal with detonators, with chlorate of potash, with sulphuric acid, and with all the means employed for exploding the commodity.

" I think I have called attention to all the material parts of the Bill, and now for a word as to the haste with which we propose to pass it. It is not my business to increase excitement, it is rather to allay than to excite panic. But I cannot conceal from the Council my conviction that the danger is great and imminent, and that it ought to be dealt with at once and with a strong hand. A new crime has arisen in India, a crime of a terrible nature, and the existing law is absolutely insufficient to cope with it. I will not say more than that. But I may tell you what occurred in England when the same danger first showed its face. Early on the morning of the 5th April 1883 a man was arrested in a house in London and found to be in possession of a box which contained $1\frac{3}{4}$ cwt. of nitro-glycerine. There was also discovered a manufactory on a large scale of explosive matter. This was communicated to the House of Commons on the same evening by Sir William Harcourt in answer to a question. He also said that he was not satisfied with the state of the law on the subject and that it required early amendment. On 6th April Sir William Harcourt gave notice

that on Monday next, the 9th April, he would ask leave to introduce a Bill to amend the law with reference to the possession of explosives, and that in order to expedite the passing of the measure he would move that the orders of the day be postponed. On the 9th April the Explosive Substances Bill was introduced. The Bill was read a first and second time, considered in Committee and read a third time. It was sent to the House of Lords on the same day, where it was read a first, second and third time and passed by 11-30 P.M. There is the same necessity for haste here as there was in England. I may add that the present Bill is almost identical in terms with the English Explosive Substances Act, and that in explaining its provisions I have indented largely on Parliamentary reports."

The motion was put and agreed to.

The Hon'ble SIR HARVEY ADAMSON introduced the Bill.

The Hon'ble SIR HARVEY ADAMSON moved His Excellency the President to suspend the Rules of Business to admit of the Bill being taken into consideration.

His Excellency THE PRESIDENT declared the Rules suspended.

The Hon'ble SIR HARVEY ADAMSON moved that the Bill be taken into consideration.

The Hon'ble NAWAB SAIYID MUHAMMAD SAHIB BAHADUR said:— "My Lord, I deeply regret the dire necessity which has induced the Government of India to convene this meeting of the Council. The terrible tragedy at Muzzafarpur has brought home a sense of shame and humiliation to every loyal and patriotic Indian. It is with a universal feeling of horror and indignation that the news of the barbarous outrage carrying off two innocent English ladies was received throughout India by men of all classes, creeds and communities. To the bereaved husband and father, Mr. Kennedy, who has suffered simultaneously two of the greatest of domestic misfortunes, spontaneous sympathy and sorrow have gone forth from innumerable hearts in the country. The disclosures which have subsequently been made at Calcutta reveal the existence of a dangerous and widespread organisation for promoting anarchism whose ends are, as is well known, the destruction of all property, law and government. The birth of this monster in the present political and social conditions of the country has filled all thinking men with genuine alarm and anguish. I may be permitted to assure Your Excellency that popular forces and popular opinion will unreservedly co-operate with the Government in weeding out this noxious growth. It is an evil which is quite alien to the ancient civilisation of this land, which is in violent contrast with the religious beliefs and traditions of the various peoples inhabiting this country. It is the common interest of every intelligent citizen to see that the evil is not allowed to grow and that it is stamped out of the country before it develops into dangerous proportions. I have no doubt that the heart of the people is with the Government at the present trying time in their efforts to overcome the forces of anarchy and disorder. I have also every confidence that the Government in successfully stemming the elements of disorder and violence in the country will give no heed to the counsels of reaction, of panic and of ignorance of the actual conditions. The British Government has always been noted for its humanity and justice. Its moral purpose and power have always been higher than its material strength. At the present juncture wise statesmanship requires that Your Excellency's Government should act with decision, justice and lenity, which will be in accordance with the best traditions of the British rule."

The Hon'ble TIKKA SAHIB RIPUDAMAN SINGH of Nabha said:—"My Lord, the events of the past few weeks—events which every sensible and right-thinking man will condemn—have naturally compelled the Government to take some sort of action. The recent bomb outrages are most deplorable, and I may remark that this sort of crime was unknown in this country till recently. It is every day happening in European countries, because, for good or evil, 'democracy' is in the air, and India could not have escaped the infection. Under rule 20 of the rules of the conduct of the business in this Council,

Members are entitled to have a copy of a Bill which is to be taken into consideration, at least seven days beforehand, but I got my copy only last evening, so I have not had sufficient time to fully think over the matter. Things done in haste are not often well done; and in this connection I would beg to point out that the Bill which is now before the Council seems to be vaguely drafted. For instance, it does not mention two very important matters, *viz.*, the grade of Judicial officer who will have jurisdiction to try offences under this Act, and to whom an appeal will lie from his orders. I therefore beg to suggest to Your Excellency that these and other such defects should be remedied before the Bill is passed.

"It seems a pity that the Hon'ble the Maharaja of Darbhanga, who was reported in the papers a few days ago to have said, at a meeting recently held, that he as a Member of Your Excellency's Council would support any measure brought forward by the Government in this connection, is not here today among us to take part in these deliberations!"

The Hon'ble MUNSHI MADHO LAL said:—"My Lord, I think no sensible loyal subject of Government will hesitate to support this important Bill. I do not think the objection raised by my Hon'ble friend the Tikka Sahib is applicable at the present time. The situation is very serious and much mischief may arise, and the sooner we deal with it the better. I do not think there is any necessity to declare in the Bill the grades of the officers who are to take action under the provisions of the Bill; it depends upon the Local Governments to take action if they think necessary. This small detail is of minor importance."

The Hon'ble SIR HARVEY ADAMSON said:—"I have only one word to say with reference to the statement made by the Hon'ble the Tikka Sahib of Nabha that the Bill does not provide for the grade of the Judicial officer, and for the tribunal of appeal. It was not necessary to insert any provisions of this kind in the Bill because they are already provided for by the Code of Criminal Procedure, the procedure of which applies not only to offences under the Indian Penal Code but also to offences under other laws."

His Excellency THE PRESIDENT said:—"I intend to reserve any remarks which I wish to make till after we have considered the Newspaper Bill. I will now put the motion to the Council."

The motion was put and agreed to.

The Hon'ble SIR HARVEY ADAMSON moved that the Bill be passed.

The motion was put and agreed to.

NEWSPAPERS (INCITEMENTS TO OFFENCES) BILL.

The Hon'ble SIR HARVEY ADAMSON moved for leave to introduce a Bill for the prevention of incitements to murder and other offences in newspapers. He said:—"My Lord, the Bill which I ask for leave to introduce is a sequel to the Explosive Substances Bill and is intended to meet the same emergency. There are two factors in this emergency, neither of which it is possible to ignore if the evil is to be adequately dealt with. The first is the actual making and using of bombs, which has been met by the Bill which has just been passed into law. The second is the public incitement to murder and acts of violence carried on through the medium of an infamous section of the Press. These two factors are as inseparable as cause and effect. If you legislate for the effect without legislating for the cause, you do nothing. The present Bill is therefore as urgent as the one with which we have just been dealing. In the opinion of the Government of India it is absolutely necessary for the public safety that it should be passed into law with the utmost possible despatch. The circumstances which have led to this legislation are fresh in the minds of all of us."

"It is therefore not necessary for me to give a history of the events of the bomb outrages, and I am the more disinclined to do so because certain persons accused in connection with these transactions are still under trial. There is one point and only one in connection with the proceedings that I am compelled to mention in order to support and justify the legislation in which we are engaged. It is the close connection between the Manicktollah conspirators and a

certain section of the Press. Barendra Kumar Ghose, who declares himself to be the leader of the conspirators, is the man who created the *Yugantar* newspaper. Many of those who are under arrest and have confessed to participation in the crimes have been connected with the *Yugantar*. Some have been connected with another newspaper which it is not necessary for me to name. Some have confessed that they drew their inspiration from newspaper writings. Among others the young man who threw the bomb at Muzaffarpur has admitted that he was incited by writings in the *Yugantar*. I will make no further comments on events which are now *sub judice*. What I have stated is taken from proceedings in Courts of Justice and is already public property.

"Now turning to the class of newspaper against which this Bill is directed, I find that the *Yugantar* has been on five occasions during the past year the subject of prosecution for the offence of sedition. On four occasions the printer and publisher has been convicted and one case is still pending. The authors of the offending articles have never come forth into the light. So far from being deterred by prosecution, a fresh printer and publisher has been registered on each occasion of conviction, and the tone of the newspaper has continued unimproved. In spite of five prosecutions the *Yugantar* still exists and is as violent as ever. The type of sedition has been incitement to subversion of British rule by deeds of violence. The policy of the newspaper has been to court prosecution in order to create pseudo-martyrs and thus to enlist sympathy on the side of anarchy, and it may be presumed that a further inducement was to increase the circulation of the newspaper by pandering to the tastes of the depraved. I quote the following extract from the official translation of an article in the *Yugantar* which appeared a few days after the attempt on an officer's life in Muzaffarpur resulted in the terrible death of two ladies:—

"Hard heartedness is necessary to trample the enemy under foot. An independent-spirited youth, arrested in connection with the Calcutta incident, is said to have said: "The work of the revolutionists, though progressing slowly, was very satisfactory; but two innocent women having met with violent death, all their attempts have been foiled by a curse of God" If any youth aspiring to freedom has really said so, then he has not yet become fit to obtain freedom. Hard-heartedness is necessary to trample the enemy under foot. When during the *Treta Yuga* the *Rakshasas* were perpetrating frightful oppression in the Dandaka forest, Rama extirpated the whole race of the *Rakshasas*. Laksman Thakur cut off the nose and the ears of Surpanakha, the beautiful sister of Ravana, and then let her go. It is not necessary to give illustrations. If in the attempt to destroy the enemy a woman is accidentally killed, then God can have no cause of displeasure like the English. Many a female demon must be killed in the course of time, in order to extirpate the race of Asuras from the breast of the earth. There is no sin in this—no mercy, no affection."

"Two days ago I saw a telegram from Calcutta stating that the *Yugantar* which usually appears on Saturday had unexpectedly appeared on Friday, that thousands of copies had been struck, and that they were selling at a rupee a copy. The telegram gave some description of the contents, which in violence outvied any previous issue. I have not yet received the full translations.

"I have up to this point confined myself to the *Yugantar* because it has already obtained so great notoriety that nothing that I can say can make it more notorious. But writings of a similar type abound in other newspapers, not only in Calcutta but throughout India. I will not give any of these disreputable papers an advertisement by mentioning their names. I will content myself with stating the substance of articles which I have culled from them. One article referring to the partition of Bengal states that the ruthless knife of the butcher has severed in twain the throbbing body of the motherland, and makes frantic appeals to all sons of the soil to combine and avenge the atrocity. Another makes insidious attempts to propagate the cult of Ramdas who instigated Shivaji to revolt against Moslem rule. Another instigates Indians to sacrifice their lives and to teach the rulers a bitter lesson. Another urges the Bengalis and the Gurkhas to join hands and rebel against the oppression of the bureaucracy. Another advises the Bengalis to resort to red as the colour of revenge and to sing the hymn of retaliation: 'A hundred heads for one head to avenge the murder of the motherland.' Another states that a huge sacrificial fire should be lit up and fed not with ghee, but with blood. Another advocates that Indians should make use of blacksmith's tools, *lathies* and slings

and stones to overmatch the enemies of their country. Another says that if by resorting to boycott we can gain our desires we can only be said to postpone for the present our resolve to shed blood. Another says that if we desire independence we should be ready to be massacred by our rulers so that their sword may become blunt. Another exhorts to die after killing, as therein the glory of dying will be enhanced. Another urges the sacrifice of life for liberty, for is it not a fact that Kali will not be propitiated without blood. Another advocates the methods of nihilists and the use of bombs. I might go on for hours in quoting such types as these. To an Englishman, who knows not India, they would appear to be little more than ridiculous bombast. But to impressionable and immature minds in the East they present an entirely different significance. We have already seen the terrible effect that they produce on the youthful student, and they must be judged by Eastern and not by Western standards. We have striking examples of how they have converted the timid Bengali into the fanatical *ghazi*, and they are not to be ignored. The difference between the East and the West in this respect is the difference between dropping a lighted match on a stone floor and dropping it in a powder magazine.

"Now, my Lord, I have quoted some of the dangerous incitements that are published by unscrupulous newspapers. I have given facts showing the effects which such writings have produced on misguided young men, and I have shown that prosecution has been tried and tried again and has completely failed to put a stop to this incitement to outrage. Under these circumstances what is the duty of a responsible Government? Its bounden duty surely is not only to make adequate provisions to punish the perpetrators of outrages that actually occur, but also to close the fountain head, and to insure that colleges of anarchy, assassination, rebellion and violence are not openly maintained under the guise of newspapers circulated among the public.

"I will now explain the legislation which we are undertaking for this purpose. The first and most important point that I desire to impress is that this Bill is not a general Press law directed against sedition as defined in section 124A of the Indian Penal Code. Sedition means an attempt to bring into hatred or contempt or to excite disaffection towards the Government established by law in India. I have no sympathy with sedition and do not in any way palliate that serious offence. But this Bill is not directed against sedition. In respect of sedition we leave the existing criminal law to take its course. The present Bill is confined entirely to the emergency which is now facing us. It is intended to provide a more effective way than prosecution for attempts through newspapers to incite to murder and acts of violence. It is not meant as a substitute for but as a supplement to prosecution. It is directed against newspapers which persistently defy the law, which court prosecution, which set up dummies for punishment while the real authors lie concealed, and which establish themselves as schools of anarchy and outrage with the object of debauching young and immature minds, and inciting men to murder, armed revolt, and secret and diabolical schemes of general assassination. The only way to deal with such newspapers is to put an end to their existence, and this we propose to do in the Bill by giving power to confiscate the printing press and to extinguish the newspaper. This is the object of the present Bill, and these two powers are all the powers that it contains. Next as regards the means for effecting these ends. There are two ways in which they can be effected, by executive action or by judicial action. The former would be more prompt, and there are many who have urged us to adopt it. The latter, however, is more in accordance with the principles of modern administration, and at the sacrifice, it may be, of some efficiency, we have chosen it. The Bill empowers the Magistrate on application made on behalf of the Local Government to take action in respect of the printing press concerned, when he is of opinion that a newspaper contains any incitement to murder or to an offence under the Explosive Substances Act or to an act of violence. The first step is a notice to all concerned affixed on the place where the printing press is. The next is the hearing of the case, which will be in the nature of a criminal miscellaneous proceeding. Evidence will be given on behalf of the Local Government, and evidence may be tendered by any one who opposes the action. The Magistrate will then record a finding, and if the finding is that

the newspaper contained the incitement alleged, he will proceed to order forfeiture of the printing press. He will have the discretion of keeping the printing-press under attachment during the hearing of the case. Against an order of forfeiture an appeal will lie to the High Court, the period of limitation being fifteen days. A further power is given to the Local Government. When an order of forfeiture has been passed the Local Government may annul the declaration made by the printer and publisher under the Press and Registration of Books Act, the effect of which annulment is that the newspaper will cease to lawfully exist.

"There is one other point that I think I should explain. Action can be taken under this Bill only when a newspaper contains an incitement to murder or to any offence under the Explosives Substances Act, or to any act of violence. It may be thought that the last words 'any act of violence' are too wide and that they admit of action being taken on account of a trivial deviation towards censurable journalism. If these words were omitted, if no words of the kind were inserted, the Bill would in practice be inoperative, for it would be easy for any one to write round the clause, to evade its intention, and to publish the most dangerous incitements while keeping within the letter of the law. The position is familiar in criminal law. If you consider every possible particular in which almost any penal clause may be abused, you may throw it out altogether. Take for instance the Indian Penal Code. If you give your neighbour a tap on the shoulder, you may come within the terms of the offence of using criminal force. No Bill could ever be drawn which would prevent extreme cases from arising. It would be impossible to draw any Bill which would stop the offences that are aimed at, if it were insisted that under no conceivable circumstances it could be applied to others than those whose punishment it provides for. If you mean to have a Bill that will effect the purpose that you have in view you must admit these consequences and rely on the safeguards which will prevent injustice from being done. Now the safeguards under this Bill are far greater than those afforded under the ordinary penal law. A private person can take no action under it. The police can take no action under it. Not even the Magistrate can initiate action. The Bill cannot be applied to extreme cases because no action will be taken except on the initiative of a responsible Local Government. It is inconceivable that a Local Government should take action in an extreme case, or in any case that did not present a serious aspect. There is therefore no danger to be apprehended by the public from the wideness of the clause.

"In conclusion, I say that this Bill is not directed against the liberty of the Press. If a repressive measure is a measure which curtails the legitimate liberties of the people, this Bill is in no sense a repressive measure. It curtails no liberty that is legitimate. It is strictly confined to incitements to murder, and acts of violence. No newspaper in the civilized world has liberty to make such incitements. It is impossible that the Bill can ever affect any newspaper that is properly and decently conducted. Even when it is applied in respect of a newspaper which has degenerated from liberty into lawless license, its application can only be by means of constitutional judicial methods in which the parties concerned will have the advantage of the complete judicial trial to which they would have been entitled if they had been prosecuted for committing an offence."

The motion was put and agreed to.

The Hon'ble SIR HARVEY ADAMSON introduced the Bill.

The Hon'ble SIR HARVEY ADAMSON moved His Excellency the President to suspend the Rules of Business to admit of the Bill being taken into consideration.

His Excellency THE PRESIDENT declared the Rules suspended.

The Hon'ble SIR HARVEY ADAMSON moved that the Bill be taken into consideration.

The Hon'ble NAWAB SAIYID MUHAMMAD SAHIB BAHADUR said:—"My Lord, though I agree with the principle, yet I regret I cannot support all the details of the Bill relating to the Press we have now before us. The object of

the Bill is laudable, but whether the provisions of the Bill will attain that object is, I think, open to doubt. I would not plead for a moment that all our newspapers are perfect or near it, but, on the contrary, some of them are run on eccentric lines. The Bill has been hastily got up, and I regret to say we have been afforded no opportunity to consider the measure carefully and express any decided opinion. The Bill appears to me to be too wide in its scope in that it covers not only offences for incitement to murder or offences under the Explosives Act, but any act of violence; this, I am bound to say, is vague and is definite. Coming to the details of the Bill, some of the sections are open to criticism. The conditional forfeiture provided in section 3, sub-section (1), arms the executive with extensive powers. My Lord, I yield to none in my respect for the executive officers of the service, but after all they are not infallible. I am strongly of opinion that the Magistrate under no circumstances should be allowed to attach a printing press by an *ex parte* order as provided for in section 3, sub-section (3), of the Bill, and I would respectfully ask the Hon'ble Member in charge to show a more judicial attitude in the matter. The right of appeal has been unduly curtailed and the time limit is too short.

" My Lord, although I think that incitement of every kind should be dealt with severely, legislation of this kind, in my humble opinion, cannot help us in the long run. This is also the view taken by thoughtful men in England. Writing on 'The ethics of dynamite' in the *Contemporary Review* in 1894, the Hon'ble Auberon Herbert admirably summed up the situation in the following words:—

'If the only effect upon us of the presence of the dynamiter in our midst is to make us multiply punishments, invent restrictions, increase the number of our official spies, forbid public meetings, interfere with the Press, put up gratings—as in one country they propose to do—in our House of Commons, scrutinise *in situ* under official microscopes, request them, as at Vienna, and I think now at Paris also, to be good enough to leave their great-coats in the vestibules—if we are, in a word, to trust to machinery, to harden our hearts, and simply to meet force with force, always irritating, always clumsy, and in the end fruitless, then I venture to prophesy that there lies before us a bitter and an evil time. We may be quite sure that force-users will be force-begetters. The passions of men will rise higher and higher; and the authorised and unauthorised governments—the government of the majority and of written laws, the government of the minority and of dynamite—will enter upon their desperate struggle, of which no living man can read the end. In one way and only one way can the dynamiter be permanently disarmed—by abandoning in almost all directions our force-machinery, and accustoming the people to believe in the blessed weapons of reason, persuasion, and voluntary service.'

" My Lord, these are words of wisdom which I respectfully submit for the consideration of Your Excellency's Government. As I believe that the Bill when passed into law will have a wholesome effect on those who write at random without themselves knowing what they write about, I support the motion before the Council."

The Hon'ble TIKKA SAHIB RIPUDAMAN SINGH of Nabha said:—" My Lord, it is rather hard on the Members of this Council to give their opinions off-hand on important subjects without having an opportunity of considering facts and examining references. If it was thought that the present situation demanded immediate action on the part of the Government, the proper thing to do would have been to issue an Ordinance under the exceptional powers given by the Indian Councils Act to meet such emergencies, and to reserve legislation for the next Calcutta session, because additional Members are generally not expected to attend the meetings of the Council at Simla, and many of them are not present here today. I remember that the Hon'ble Sir Harvey Adamson said in this Council last year that the objections to legislation at Simla are not so strong now when there is a railway, as they were many years ago when there were no such facilities of travel; but I apprehend that the Hon'ble Member overlooked another inconvenience when he spoke. If an Hon'ble Member intends to come either from Madras or Burma to Simla, to attend the meeting of the Council in the month of June or July, can the journey be described as a pleasant and 'short railway journey'? It was perhaps for such reasons that Lord Salisbury, then Secretary of State, wrote to the Government of India many years ago that no important legislation should be undertaken in Simla. Let the Government suppress crime with a strong hand, but at the same time let not its action appear arbitrary or

precipitate. If there is any real and general unrest in the country as is alleged, let us try to find out its causes and remove them. Let us also think and decide whether coercion or conciliation would be the better remedy. I have not had sufficient time to give full consideration to the Bill which is now before the Council, because I received a copy of it only last evening. I do not therefore find myself in a position to criticise the Bill in detail, yet I beg to offer a few observations on its provisions. Section 3, sub-section (3), appears to be unnecessary and might be omitted. Section 3, sub-section (5), does not specify the period after which the Magistrate is to make the conditional order absolute, or how long he has to wait for the appearance of the person or persons concerned. This should be made clear and not left to the discretion of the Magistrate. In section 5, which provides for an appeal, thirty days may be substituted for fifteen. Section 6 appears to be superfluous and might be left out. In section 7 the words 'or of any newspaper which is the same in substance as the said newspaper' are ambiguous, and should be either made clearer or struck out of the Bill. These are a few defects which have occurred to me in the hurried reading of the Bill, and there may be some other defects also. The present Bill does not seem to be such an urgent one as that which has just been passed, and moreover it would affect a larger number of people; therefore ample opportunity should be given to discuss its provisions, and it should not be passed in such hot haste today. Apart from this I feel that non-official Members have a right to expect that they should be given sufficient time for consideration before tendering their opinions on such important subjects; therefore I pray Your Excellency to postpone the consideration of the Bill to some future date."

The Hon'ble MUNSHI MADHO LAL said:—"My Lord, the present situation is no doubt very serious. I do not, however, think that the necessity of passing this Bill is as urgent as that of the other Act which has just been passed. A month's consideration would have been sufficient, and I think that by the postponement of a month no harm would have been done. The Bill might have been introduced, a Select Committee appointed and the Bill passed into law in a month. The Bill ought to have gone to the Press and the public, and they might have been given an opportunity of expressing their opinion on its details. As far as I can see at present, the whole heart of the country is with the Government to put an end to such writing as may incite to murder and other crimes. I have no patience with writings of this sort, and with those men who employ our sacred literature for their purposes; but still with all that, if we had postponed this legislation for two weeks or a month, no great harm would have been done. It may however be that the Government is in possession of facts necessitating the passing of this Bill at such short notice under a sense of great and heavy responsibility. As regards the present legislation, I agree with the Government and believe that the heart of the people is on their side."

The Hon'ble SIR HARVEY ADAMSON said:—"I sympathize with Hon'ble Members in their complaints that they have had little time to consider the details of the Bill. Copies of the Bill with Statements of the Objects and Reasons for which it was framed were in the hands of Hon'ble Members more than sixteen hours before the Council met. The time is short, I admit, but it is longer than was given to members of the British Houses of Parliament when legislation for a similar crisis was undertaken. I am sorry that Hon'ble Members have been inconvenienced. I should have been glad to have avoided causing inconvenience to Hon'ble Members by passing the Bill through its various stages in the ordinary way; but I hope that Hon'ble Members will accept my statement that such a course was impossible. If ever there was reasonable ground for alarm, the events that are known to us surely furnish that ground. We are brought face to face with a great and imminent public danger, and it was absolutely necessary to make such haste as the rules of our legislative business allow.

"As regards the suggestion that we should have proceeded first by way of Ordinance, and that, having thus provided for the immediate emergency, we should have proceeded to permanent legislation in a more deliberate way, I admit that the course suggested has some advantages. But it has this disadvantage, that

it commits the Governor General to taking legislative action without the advice of his Legislative Council. It is further to be remembered that an Ordinance is an act of the Governor General in person and not of the Governor General in Council. On the whole, we considered that in a matter of such importance, and in a matter in which an entirely new line of legislation is being taken, it was well to call in the aid of the Legislative Council.

"With reference to the Hon'ble the Tikka Sahib's remarks, I am afraid that it is impossible for me to consent to an adjournment. In fact, as events have shaped themselves, the present Bill is much more urgent than the Explosive Substances Bill. I have told Hon'ble Members how the *Yugantar* brought out secretly on Friday an issue reeking with incitements to murder, and how the issue sold for one rupee a copy. In the face of these tactics it would be criminal folly to delay the passing of this Bill by a single day. The evil that one issue of a paper of this kind may do is incalculable, and though I sympathize entirely with the Hon'ble Member in his plea that there has been but little time for him to consider the substance of the Bill, I feel that it would be impossible, with a due sense of responsibility for the safety of the public, to recommend to the Council the postponement of this legislation for a single day.

"With reference to the Hon'ble Nawab Saiyid Muhammad's objection to the *ex parte* action of the Magistrate, it is in my view quite necessary to give to the Magistrate the power of making an order of attachment *ex parte*. The power is given in cases of emergency or in cases where the application might be defeated by delay. The tactics of the *Yugantar* have shown that it is necessary when once action has been taken to have power to stop further issues of the newspaper. If the Magistrate had not this power a newspaper like the *Yugantar* would employ the whole time between notice and hearing of the case in publishing "fresh incitements to assassination, the harm resulting from which might be incalculable. There is nothing new or foreign to existing law in the provision. The Magistrate has a similar power in the procedure relating to prevention of nuisances which is contained in the Criminal Procedure Code."

The motion was put and agreed to.

The Hon'ble SIR HARVEY ADAMSON moved that the Bill be passed. He said:—"My Lord, it is a source of much satisfaction to me, and I am sure that it will be the same to Your Excellency and to all the official Members of this Council, that we have received the support of the non-official Members of Council to the two Bills in which we have been engaged today. It is to be regretted that the urgency of our action has rendered it impossible for the other non-official Members of Council to be present. We know from the public utterances of the Hon'ble the Maharaja of Durbhanga that he would have supported us, and I am sanguine enough to believe that if there had been a full attendance of non-official Members we would have had an unanimous vote. I cannot doubt that every non-official Member would have supported the Government in measures directed against the common enemies of mankind, in measures which the Government of India believe to be absolutely necessary for the safety of the public. We have received telegrams and memorials from representative bodies of all races and all religions in India expressing abhorrence of the terrible outrages that have been committed, and offering their support to Government in the crisis. Therefore, I fear not that what we have done in this Council to-day will commend itself to every right-thinking man in India. It often happens in the wise dispensation of Providence that good comes out of evil. May I venture to hope that, united as the Government and the people of India are against a common enemy, these terrible incidents, which we all deplore, may have the effect of drawing together the Government and the people and bringing about a better understanding between Englishmen and Indians."

His Excellency THE PRESIDENT said:—"Before I put the motion I would venture to make a few remarks.

"My Hon'ble Colleague, Sir Harvey Adamson, has clearly and ably explained the nature of the measures we have before us today. He has recapitulated the powers we have hitherto possessed under the law, and has shown how utterly insufficient they have proved to enable us to deal with existing circumstances.

"The lamentable incidents at Muzaffarpur have sent a thrill of horror throughout India, and have too clearly warned us that we must be prepared to deal immediately with an iniquitous conspiracy and with murderous methods hitherto unknown to India.

"I know that my Hon'ble Colleagues will join with me in expressing the sincerest sympathy for Mr. Pringle Kennedy in his terrible bereavement. His attachment to India and his many years of good work have earned him the respect and affection of English and Indian society alike, in which his wife and daughter very fully shared. There have been other atrocious deeds besides that at Muzaffarpur—one cannot forget the sufferers from the explosion in Grey Street in Calcutta, or the deliberate attempts to assassinate Sir Andrew Fraser, the Maire of Chandernagore and Mr. Kingsford. As to Mr. Kingsford, the public have been told in India and at home that the attempts on his life were due to the infliction by him of sentences of flogging for political offences—an unwarrantable accusation, which I am glad to have this opportunity of denying, against one who has fearlessly and straightforwardly done his duty. In not a single case has Mr. Kingsford awarded flogging as punishment for political offences.

"My Hon'ble Colleague has dealt so fully with the details of the legislation we propose to pass today that I need only refer to the general position with which we are confronted. It is very necessary that no preconceived prejudice should blind our judgment. It was, I believe, the Duke of Wellington who said that he had spent the best part of his life in trying to know what was going on on the other side of the hill on his front—and for us the *purdah* of the East unfortunately hides much from view. It would be better for us and for the many races of this country if we knew how to lift it—at present we have failed to do so. We cannot but speculate as to much that it conceals, yet it is all-important that our guesswork should not be hasty or unjust.

"All India has been shocked by a cruel crime. Expressions of abhorrence and condemnation have reached us from public meetings, associations, and Indian gentlemen throughout the country, and the great mass of the people have loyally shared with the British Raj in detestation of its contemptible brutality. What we, the Government of India, have had to consider is the nature of these crimes, the influences which originated them, and the best means for protecting the populations, with whose safety we are charged, against the perpetration of similar outrages.

"We all know—at least every one who watches the daily story of Indian political life knows—that the lines of Indian thought are changing, and that embryo national aspirations are beginning to take shape, and it will be a bad day for the British Raj and a bad day for the people of this country if we ever allow the belief to spread that the doctrines of murderous anarchy are even indirectly associated with the growth of those ambitions which British education has done so much to encourage. Nothing to my mind has been more unfortunate and despicable than the readiness with which in certain quarters endeavours have been heedlessly made to further a belief that assassination is merely the effort of a down-trodden people struggling to free itself from a foreign oppressor. The conspiracy with which we have to deal represents nothing of the sort. To the best of my belief it has largely emanated from sources beyond the confines of India. Its anarchical aims and the outrageous doctrines it inculcates are entirely new to this country. But unfortunately the seeds of its wickedness have been sown amongst a strangely impressionable and imitative people—seeds that have been daily nurtured by a system of seditious writing and seditious speaking of unparalleled virulence vociferating to beguiled youth that outrage is the evidence of patriotism and its reward a martyr's crown.

"I have no desire to minimise the dangers of the present time—they are evident enough. I know well the anxieties that the suspicions of subterranean plots must bring to all loyal men and women of whatever race or creed. No one can say how far the poison has spread. I only ask that the nature of it should not be misunderstood, that the cancer we have discovered should be localised, and that we should not jump to the conclusion that it has spread beyond the control of legitimate remedies. What those remedies should be have been for some weeks under the careful consideration of the Government of India. The two Bills which we are about to pass are the results of our deliberations. My Colleagues will support me when I say that we have had no

lack of advice. The public has been told that we are weak, that we have failed to maintain order, that the glory of England has departed, that strong measures have been neglected. I am no believer in compliance with hysterical demands in the hour of danger. I maintain that the strength of the British Raj has been built up upon the justice of its administration. Heaven knows it has been no weak rule, but it has been a just one—and it will continue to be so.

"It has been with a heavy sense of responsibility that the Government of India has recognised that the law of the land has not been strong enough to enable us to cope with the present emergency. We have felt that we must have further powers. We have had two main points before us—How best to deal with bomb outrages and the conspiracies connected with them; and how to annihilate the evil influence which has done so much to inspire them. The machinery we have decided to adopt is before you in the two Bills which the Hon'ble Sir Harvey Adamson has introduced. In them we have, after careful consideration, empowered judicial rather than executive procedure. We have preferred to act by legislation. But another course was open to us—We might have proceeded by the issue of an Ordinance, we should have saved time by doing so, and the condition of affairs demanded prompt and decided action. And now, if we are asked why, when we decided to proceed by legislation, we did not let that legislation follow the normal course of publication, reference to Select Committee, report and final discussion, I unhesitatingly answer that the urgency of the case would not allow of it. As it is, we have incurred delay, but in doing so we have secured an opportunity of explaining our position, which we should have lost in procedure by Ordinance. It is my firm belief that the Government of India occupies an infinitely stronger position in legislating, as it has done today, in open court, than if it had attempted to act summarily during the first shock of the tragedy of Muzaffarpur.

"There is one point which during our discussions in Executive Council I have impressed upon my Colleagues and which I will venture to repeat. Sir Harvey Adamson has already alluded to it. I look upon today's legislation as exceptional, as framed to meet dangerous emergencies, and as regards the Newspaper Bill, to give powers to deal with a particular class of criminal printed matter. It is quite possible our Bills may not be strong enough, and in that case we shall not fail to amend them. But the Newspaper Bill in no way takes the place of a general Press Act, and it in no way ties our hands as to the future introduction of such an Act. In my opinion a further general control of the Press in India is imperatively necessary. I believe it would be welcomed by the best Indian newspapers *The Indian Nation* and *The Indian Mirror* have reviewed the present crisis in a tone which would do credit to the Press of any country. They have recognised the evil of unbridled journalistic freedom under Indian conditions—conditions entirely different from those existing at home, where public opinion based on the teachings of centuries of constitutional government would be ever ready to refuse or to ridicule such unwholesome vapourings as are daily furnished to the people of India. India is not ripe for complete freedom of the Press. It is unfair upon her people that, for daily information, such as it is, they should be dependent upon unscrupulous caterers of literary poison. We are called upon to regulate its sale. No exaggerated respect for principles of English freedom, totally unadapted to Indian surroundings, can justify us in allowing the poison to work its will.

"By some irony of fate, the outrages for which that poison is already so largely answerable have been sprung upon us almost upon the eve of the introduction of constitutional changes. I am determined that no anarchical crimes will for an instant deter me from endeavouring to meet as best I can the political aspirations of honest reformers, and I ask the people of India and all who have the future welfare of this country at heart to unite in the support of law and order, and to join in one common effort to eradicate a cowardly conspiracy from our midst."

The motion was put and agreed to.

The Council adjourned to Friday, the 10th July, 1908.

SIMLA; }
The 10th June, 1908. }

J. M. MACPHERSON,
Secretary to the Government of India,
Legislative Department.



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FOREIGN DEPARTMENT.

ORDER OF THE STAR OF INDIA.

NOTIFICATION.

Fort William; the 1st January, 1908.

His Excellency the Grand Master of the Most Exalted Order of the Star of India is pleased to announce that His Majesty the KING, EMPEROR OF INDIA, has been graciously pleased to make the following appointments to the said Order:

To be Companions.

The Honourable Mr. FRANCIS ALEXANDER SLACKE, Indian Civil Service, Member, Board of Revenue, Bengal, and an Additional Member of the Council of the Governor-General for making Laws and Regulations.

The Honourable Mr. JOHN NATHANIEL ATKINSON, Indian Civil Service, Acting First Member, Board of Revenue, Madras, and an Additional Member of the Council of the Governor of Fort St. George for making Laws and Regulations.

SAIYID HUSAIN BILGRAMI, Esquire, lately Director of Public Instruction, Hyderabad, at present a Member of the Council of His Majesty's Secretary of State for India.

PERCY COMYN LYON, Esquire, Indian Civil Service, Chief Secretary to the Government of Eastern Bengal and Assam.

ALGERNON ROBERT SUTHERLAND, Esquire, lately Chief Engineer and Secretary to the Government of the United Provinces, Public Works Department, Buildings and Roads and Railway Branches.

By Order of the Grand Master,

L. W. DANE,
*Secretary to the Most Exalted
Order of the Star of India.*

ORDER OF THE INDIAN EMPIRE.

NOTIFICATION.

Fort William; the 1st January, 1908.

His Excellency the Grand Master of the Most Eminent Order of the Indian Empire is pleased to announce that His Majesty the KING, EMPEROR OF INDIA, has been graciously pleased to make the following appointments to and promotions in the said Order:

To be Knights Grand Commanders.

His Excellency General the Right Honourable HORATIO HERBERT VISCOUNT KITCHENER OF KHARTOUM, G.C.B., O.M., G.C.M.G., Royal Engineers, Commander-in-Chief in India.

Major His Highness FARZAND-I-DILPAZIR-I-DAULAT-I-INGLISRA NAWAB MUHAMMAD HAMID ALI KHAN BAHADUR of Rampur.

To be Knights Commanders.

His Highness Raja BANE SINGH of Rajgarh (Bhopal).
THOMAS GORDON WALKER, Esquire, C.S.I., Indian Civil Service, lately Financial Commissioner, Punjab.

AERTHUR NAYLOR WOOLLASTON, Esquire, C.I.E., lately Registrar, India Office.

To be Companions.

The Honourable PALAMANERI SUNDARAM SIVASWAMI AIYAR, an Additional Member of the Council of the Governor of Fort St. George for making Laws and Regulations.

The Honourable Mr. FRANCIS GUY SELBY, Acting Director of Public Instruction, and an Additional Member of the Council of the Governor of Bombay for making Laws and Regulations.

Colonel WILLIAM RIDDELL BIRDWOOD, Aide-de-Camp to the King, Military Secretary to His Excellency the Commander-in-Chief in India.

SAINT-HILL EARDLEY-WILMOT, Esquire, Inspector-General of Forests to the Government of India.

WILLIAM HERBERT DOBBIE, Esquire, lately Accountant-General, Madras.

ALFRED HAMILTON GRANT, Esquire, Indian Civil Service, Secretary to the Honourable the Chief Commissioner and Agent to the Governor-General, North-West Frontier Province.

SAO MAWNG, K.S.M., Sawbwa of the Shan State of Yawng Hwe.

Khan Bahadur SAHIBZADA HAMID-UZ-ZAFAR KHAN, Senior Member of the State Council, Alwar.

Major JOHN NORMAN MACLEOD, M.B., Indian Medical Service, Civil Surgeon of Quetta.

HENRY ELWORTHY, Esquire, General Manager of the firm of Messrs. F. C. Osler & Co., Limited, Calcutta.

By Order of the Grand Master,

L. W. DANE,

*Secretary to the Most Eminent
Order of the Indian Empire.*

FOREIGN DEPARTMENT.

NOTIFICATION.

• • • Fort William; the 1st January, 1908.

His Majesty the KING, EMPEROR OF INDIA, has been pleased to confer the honour of Knighthood on—

The Honourable Mr. CHARLES GEORGE HILLERSDEN ALLEN, Indian Civil Service, Chairman of the Corporation of Calcutta, and a Member of the Council of the Lieutenant-Governor of Bengal for making Laws and Regulations.

HORATIO HALE SHEPARD, Esquire, lately Legal Adviser to His Majesty's Secretary of State for India.

ARTHUR GUILLUM SCOTT, Esquire, lately Accountant-General, India Office.

L. W. DANE,

Secretary to the Government of India.

FOREIGN DEPARTMENT.

NOTIFICATIONS.

Fort William; the 1st January, 1908.

His Excellency the Viceroy and Governor-General is pleased to confer upon Her Highness Rani Bhatianiji, widow of His late Highness Raja Mahtab Singh, Chief of Narsinghar (Bhopal Agency) in Central India, the title of Maharani, as a personal distinction.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Raja, as a personal distinction, upon—

Chaudhri Harbans Singh, of Haldaur, Bijnor District, United Provinces.

Mir Abu Jafar, Talukdar of Pirpur, Fyzabad District, United Provinces.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Mahamahopadhyaya, as a personal distinction, upon—

Pandit Rama Shastri Bhagavatacharya, Assistant Professor, Queen's College, Benares, United Provinces.

Pandit Guru Charan Tarkadar-shantirtha, Professor of Naya and Vedanta Philosophy in the Rani Hemanta Kumari Sanscrit College, Rampur Boalia.

His Excellency the Viceroy and Governor-General is pleased to confer upon Maulvi Muhammad Abdus Salam, retired Head Maulvi in the Arabic Department of the Dacca Madrassa, the title of Shams-ul-Ulama, as a personal distinction.

His Excellency the Viceroy and Governor-General is pleased to confer upon Hakim Ajmal Khan, of Delhi, the title of Hazik-ul-Mulk, as a personal distinction.

His Excellency the Viceroy and Governor-General is pleased to confer upon M. R. Ry Triplicane Muppur Ranga Chariyar Avergal, District and Sessions Judge, Nellore, Madras Presidency, the title of Diwan Bahadur, as a personal distinction.

His Excellency the Viceroy and Governor-General is pleased to confer upon Khan Bahadur Ghulam Haidar Khan, Achakzai, of Baluchistan, the title of Sardar Bahadur, as a personal distinction.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Khan Bahadur, as a personal distinction, upon—

Muhammad Aziz-ud-din Husain, Sahib Bahadur, Khan Sahib, Collector and District Magistrate, South Canara, Madras Presidency.

Bomanji Edalji Modi, late District Deputy Collector, Kaira, Bombay Presidency.

Maulvi Daudar Rahman, 1st Grade Assistant Surgeon, Bengal.

M. Mehdi Ali Khan, of Lucknow, United Provinces.

Maulvi Muhammad Fasih-ud-din, B.A., Deputy Collector, Cawnpore, United Provinces.

Mian Muhammad Shafi, Barrister-at-Law, Advocate of the Chief Court, Punjab.

Mehr Allahyar Khan, Honorary Extra Assistant Commissioner, Multan, Punjab.

Kazi Sala-ud-din, of Nandura, Buldana District, Central Provinces.

Raja Alidad Khan, of Gilgit.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Rai Bahadur, as a personal distinction, upon—

Babu Durga Prasad, Deputy Magistrate and Deputy Collector, Darbhanga, Bengal.

Babu Charu Krishna Mozumdar, of Islampur, Murshidabad, Bengal.

Babu Saroda Prasad Sen, late Personal Assistant to the Inspector-General of Prisons, Bengal.

Babu Mani Lal Sinha Ray, of Chakdighi, Burdwan, Bengal.

Babu Lal Gopal Sen, retired Subordinate Judge, Bengal.

Babu Annada Prasad Sircar, Executive Engineer, 1st Grade, Calcutta.

Babu Balmukand, Deputy Collector, Partabgarh, United Provinces.

Lala Ishwar Sahai, President of Co-operative Credit Societies, Fatehpur District, United Provinces.

Babu Suresh Chandra Singh, Sub-Divisional Officer of Munshiganj, Dacca, Eastern Bengal and Assam.

Babu Hari Mohan Chandra, retired Deputy Magistrate and late Personal Assistant to the Commissioner of the Rajshahi Division, Eastern Bengal and Assam.

Rai Sahib Bhuban Ram Das, Honorary Magistrate, Kamrup Sadar Bench, Eastern Bengal and Assam.

Rai Sahib Diwan Jamiat Rai, Extra Assistant Commissioner, Baluchistan.

Manjeshwari Raghunatha Rao, Sub-Assistant Inspector of Schools in Coorg.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Rao Bahadur, as a personal distinction, upon—

M. R. Ry. Gopal Rao Srinivasa Rao Avargal, Chairman, Municipal Council, Madura, Madras Presidency.

M. R. Ry. Venkatasamy Ramabhadra Nayudu Garu, of Vadagarai, Madras Presidency.

M. R. Ry. Appasami Annasami Tevar Avargal, a Landholder in the Tanjore District of the Madras Presidency.

Daulatram Kasiram, Pandit, Administrator of the Miraj Junior State, Bombay Presidency.

Mr. Madandas Dhanrajmal, Native Assistant Commissioner, Karachi.

Ganpat Rao Gopal Ghatate, Landowner and Banker of Nagpur, Central Provinces.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Sardar Sahib, as a personal distinction, upon—

Narain Singh, Zaildar of Singpura, Gurdaspur District, Punjab.

Senior Hospital Assistant Kehar Singh, of Gilgit.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Khan Sahib, as a personal distinction, upon—

Wadero Dhanibaksh, *walad* Ali Mardan Khan, Jatoi of Bete in Taluka Mehar, Larkana District, Sind.

Pir Muzaffar Ahmad, Deputy Collector, Public Works Department, Irrigation Branch, Punjab.

Miyan Ahmad Kaka Khel, Extra Assistant Commissioner, Punjab.

Haji Bhawal Haq, Head of the Haripals, Baluchistan.

Haji Malik Rahman, Honorary Magistrate and Municipal Commissioner, Peshawar City, North-West Frontier Province.

Jalal-ud-din Khan, Deputy Superintendent of Police, Peshawar, North-West Frontier Province.

Mulla Sabit Khan (of Maiyar, Bajour, father's name Saiyid Khan), Indian Aksakal of Kashgar.

Agha Bedr bin Haji Muhammad Amin, Residency Agent at Lingah.

Munshi Rahmatulla, Extra Assistant Superintendent, Survey of India Department.

Abdul Majid Khan, Senior Grade Hospital Assistant, Burma.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Rai Sahib, as a personal distinction, upon—

Brijmohan Lal, Assistant Traffic Superintendent.

Babu Nibaran Chandra Sen, Senior Grade Hospital Assistant, Darjeeling.

Assistant Surgeon Guru Prasanna Raha, United Provinces.

Lala Ganga Ram, Inspector of Police, Punjab.

Babu Kali Kishore Chaudhuri, retired Inspector of Police, Eastern Bengal and Assam.

Babu Ram Singh, Inspector of the Bakarganj Police, Eastern Bengal and Assam.

Dr. Purnanda Chatterji, B.A. (Cal.), D.Sc. (Edin.), Inspector of Schools, Eastern Bengal and Assam.

Seth Chuni Lal Kastur Chand, of Hyderabad.

Bhai Hotu Singh, Extra Assistant Commissioner and Extra Assistant Settlement Officer, Bannu.

Chaudhri Jawala Parshad, Shanipur, Dalmough, Rai Bareilly.

Mehta Ramji Mal, Inspector of Police, Burma.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Rao Sahib, as a personal distinction, upon—

M. R. Ry. Sangisetti Venkatanarayana Nayudu Garu, Deputy Tahsildar, Udayagiri, Ganjam District, Madras Presidency.

Vishram Narayan Rege, Assistant Surgeon, Sadra, Bombay Presidency.

Raghunath Balkrishna Talvolkar, B.A., Head Master, Government High School, Amraoti, Central Provinces.

N. Nursim Iyengar, Manager, Hosur Remount Depôt Office, Matigiri District, Madras Presidency.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Kyet Thayè Zaung Shwe Salwè ya Min, as a personal distinction, upon—

Maung Tha Dun Aung, A.T.M., Temporary Engineer, Public Works Department, Burma.

Paban, *Myosa* of Bawlake, Burma.

Maung Saw Tun, *Sawbwa* of Thaungthut, Burma.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Thuye gaung ngwe Da ya Min, as a personal distinction, upon—

Maung E. Thwe, Inspector of Police, Burma.

Maung Po Yin, Extra Assistant Commissioner, Burma.

His Excellency the Viceroy and Governor-General is pleased to confer the title of Ahmudan gaung Tazeik ya Min, as a personal distinction, upon—

Maung Po Si, *Akunwun*, Rangoon Municipality, Burma.

Maung Kan Gyi, Extra Assistant Conservator of Forests, Burma.

Maung Po Hla (5), Extra Assistant Commissioner, Burma.

Maung Po Kyu, Extra Assistant Commissioner, Burma.

L. W. DANE,

Secretary to the Government of India.

KAISAR-I-HIND MEDAL.

NOTIFICATION.

Calcutta, the 1st January 1908.

No. 1. His Excellency the Viceroy and Governor General is pleased to announce that His Majesty the KING, EMPEROR OF INDIA, has been graciously pleased to award the Kaisar-i-Hind Medal for Public Service in India of the First Class to—

THE REVEREND E. GUILFORD, of the Church Missionary Society, Tarn Taran, Amritsar District, Punjab.

MAJOR ROBERT CHARLES MACWATT, M.B., Indian Medical Service, lately Agency Surgeon, Kotah and Jhalawar, at present Residency Surgeon, Jodhpur, Rajputana.

HONORARY CAPTAIN JAMES MORRISON, Indian Subordinate Medical Department (retired), Special Plague Medical Officer for the Central Provinces.

M. R. RY. VENKATARAMA KRISHNASWAMI AIYAR AVARGAL, of Madras.

His Excellency the Viceroy and Governor General is pleased to award the Kaisar-i-Hind Medal for Public Service in India of the Second Class to—

MAULVI ABDUL RAHIM, of Bhagulpur.

MRS. GRANT, *née* MISS LILIAN BLONG, M.D., lately of the Lansdowne Hospital of Bhopal.

THE REVEREND THOMAS VINCENT CAMPBELL, M.A., M.B., C.M., Cuddapah District, Madras Presidency.

MRS. MILDRED DE KANTZOW, Lady Superintendent, United Provinces Branch, Lady Minto's Nursing Association.

LALA JOTI PRASAD, Vice-President of the Municipal Committee, Jagadhri, Amballa District.

NURSING SISTER DORA LOUISA TRUSLOVE MOORE, Queen Alexandra's Military Nursing Service for India.

PRIBHDAS SHEWAKRAM, Manager of the Nava Vidyalaya School at Hyderabad, Sind.

H. H. RISLEY,

*Secretary to the Government of India,
Home Department.*

ARMY DEPARTMENT.

Fort William, the 1st January 1908.

REWARDS.

INDIAN DISTINGUISHED SERVICE MEDAL.

No. 1.—His Excellency the Viceroy and Governor General in virtue of the authority conferred upon him by the Royal Warrant of 25th June 1907, is pleased to sanction the award of the Indian Distinguished Service Medal to the following officers, non-commissioned officers and men:—

Subadar-Major Lachman Dube, 3rd Brahmans.

Subadar-Major Zargun Shah, 55th Coke's Rifles (Frontier Force).

Subadar-Major Bishn Singh, 57th Wilde's Rifles (Frontier Force).

Ressadar Thakur Singh, 21st Prince Albert Victor's Own Cavalry (Frontier Force) (Daly's Horse).

Jemadar Chattar Singh, 32nd Sikh Pioneers.

No. 1750 Havildar Kuku Thapa, 8th Gurkha Rifles.

No. 2660 Naik Ambar, 40th Pathans.

No. 1776 Naik Bhagathir Thapa, 1st Battalion, 3rd The Queen's Own Gurkha Rifles.

No. 2268 Lance Naik Khusal Khan, Northern Waziristan Militia.

Sepoy Hunar, Zob Levy.

A. W. L. BAYLY,

Secretary to the Government of India.



The Gazette of India

EXTRAORDINARY.

PUBLISHED BY AUTHORITY.

CALCUTTA, TUESDAY, JANUARY 21, 1908.

GOVERNMENT OF INDIA.

HOME DEPARTMENT.

ESTABLISHMENTS.

Calcutta, the 21st January 1908.

NOTIFICATIONS.

No. 79.

THE Honourable Sir Denzil Charles Jelf Ibbetson, K.C.S.I., has obtained permission from His Excellency the Governor General of India to resign, from the 22nd January 1908, the office of Lieutenant-Governor of the Punjab and its Dependencies. His Excellency is pleased to direct, as a mark of respect due to the character and services of Sir Denzil Charles Jelf Ibbetson, that all the honours and distinctions to which he is now entitled as Lieutenant-Governor of the Punjab shall be continued to him from the 22nd January until the date of his embarkation for Europe.

No. 80.

A vacancy having occurred in the office of Lieutenant-Governor of the Punjab and its Dependencies consequent on the resignation of the Honourable Sir Denzil Charles Jelf Ibbetson, K.C.S.I., the Governor General is pleased, under the authority vested in him by the 29th section of the Act 21 and 22 Vict., Cap. 106, and subject to the approbation of His Majesty, to appoint Sir Thomas Gordon Walker, K.C.I.E., C.S.I., of the Indian Civil Service, to be Lieutenant-Governor of the Punjab and its Dependencies as a temporary arrangement until further orders, with effect from the date of his assuming charge of that office.

H. H. RISLEY,
Secretary to the Government of India.



The Gazette of India.

EXTRAORDINARY.

PUBLISHED BY AUTHORITY.

CALCUTTA, TUESDAY, FEBRUARY 4, 1908.

MILITARY SECRETARY'S OFFICE.

NOTIFICATION.

Calcutta the 4th February 1908.

No. 349-M.—Intelligence having been received of the death of His Majesty the King of Portugal and the Algarves, K.G., and His Royal Highness the Crown Prince of Portugal, K.G., Court mourning is ordered for four weeks from the 3rd February 1908, half mourning commencing from the 17th February 1908.

When attending at the Viceregal Court, Ladies will appear in black until the 16th February and thereafter in half mourning until the 2nd March. Officers in uniform, when attending at the Viceregal Court, will wear a crape band on the left arm throughout the period of Court mourning.

By Command,

VICTOR BROOKE, *Lieut.-Colonel,*
Military Secretary to the Viceroy.



The Gazette of India.

EXTRAORDINARY.

PUBLISHED BY AUTHORITY.

CALCUTTA, THURSDAY, MARCH 5, 1908.

GOVERNMENT OF INDIA.

HOME DEPARTMENT.

ESTABLISHMENTS.

Calcutta, the 5th March 1908.

NOTIFICATIONS.

No. 227.

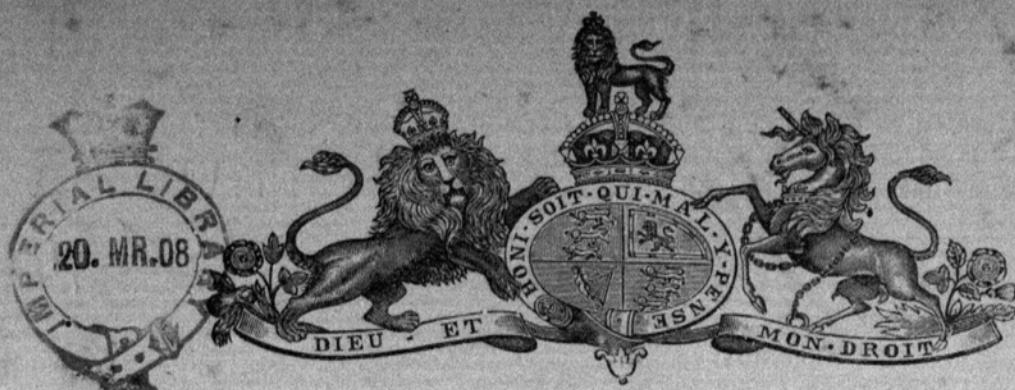
THE Honourable Mr. James Fairbairn Finlay, C.S.I., has resigned his office as an Ordinary Member of the Council of the Governor General of India, with effect from the 28th February 1908.

No. 228.

A vacancy having occurred in the office of an Ordinary Member of the Council of the Governor General of India by the resignation of the Honourable Mr. James Fairbairn Finlay, C.S.I., and no person provisionally appointed to succeed being present on the spot, the Governor General in Council has been pleased, under the provisions of the Act 24 and 25 Vict., Cap. 67, section 27, to appoint Mr. William Leathem Harvey, C.I.E., to be a temporary Member of the Council of the Governor General of India.

The Honourable Mr. Harvey has, on this day, taken upon himself the execution of his office under the usual salute.

H. H. RISLEY,
Secretary to the Government of India.



The Gazette of India.

EXTRAORDINARY.

PUBLISHED BY AUTHORITY.

CALCUTTA, FRIDAY, MARCH 20, 1908.

FINANCIAL STATEMENT FOR 1908-1909.

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FINANCIAL STATEMENT FOR 1908-1909.

PART I.

Introductory.

I beg to present the Financial Statement for 1908-1909, together with the usual accounts and appendices.

2. The dominating feature of the present budget is the famine which unhappily is widespread over a large part of Northern India, and some other tracts elsewhere. The course of the monsoon during the autumn of 1907 bore some resemblance to those of 1896 and 1899, but on the whole the failure of the rains was less extensive, and the resultant distress is both more restricted in area and with some local exceptions less severe in intensity than on those occasions. Nevertheless the calamity which has befallen the country is of no small magnitude. It extends, roughly speaking, to the greater part of the United Provinces, to the eastern districts of the Punjab, the northern half of the Central Provinces, some parts of Bengal and Bombay, and many of the Native States in Central India, besides isolated tracts in other Provinces. The area in which famine has been declared to exist is approximately 118,000 square miles in British India and about 15,000 square miles in the States of Central India and has a population of about 49 millions. In these tracts the outturn of the *kharif* crops over the whole of the United Provinces and the greater part of the distressed areas in other provinces is a good deal less than half of an average crop, and in the worst tracts very much less. The distress would have been much more severe but for the fall of useful rain in September and October in Bombay, and but for the winter rains which, though late, were of enormous benefit in Northern India. Even as it is, the export of wheat has been almost wholly stopped in consequence of the prevalent high prices in India, and a great part of the Burma rice crop which was fortunately abundant has been diverted to India to take the place of that which had been lost.

3. The general situation is thus less serious than in 1897-1898 or 1900-1901, and the financial position is also stronger than in those years. In the former year Sir J. Westland was forced to budget for a deficit of £1,643,000, of which a great part, though doubtless not the whole, was due to famine. In the latter, Mr. Clinton Dawkins, with the aid of improved exchange, was able to secure practical equilibrium with a small surplus of £160,300. On the present occasion, although the surplus of £774,600 for which we had budgeted last March is likely to be reduced to £235,400, we nevertheless hope, if the ensuing monsoon is normal, to secure much more favourable results in 1908-1909, and I am able to estimate for a surplus of £571,500 at the close of the ensuing year, notwithstanding the very liberal provision for suspension and remission of revenue which is referred to below. In part these results are due to the smaller extent and severity of the present famine. That, however, is not the only reason. The lessons of the two famines of the past decade have not been lost on us. In the first place our machinery for combating distress has been brought by the teaching of experience to a higher pitch of efficiency than before. Secondly, it is now a primary canon with us to issue *takavi* advances on the most liberal scale and by the promptest possible methods the moment that the situation has clearly declared itself. Thus in the present year over 2 crores of rupees have already been distributed or sanctioned for distribution in this way, and 2 crores are being provided for issue next year, making upwards of 4 crores in all, as compared with 2.3 crores in 1896-1898, and 2.9 crores in 1899-1901. Moreover, in every province, the arrangements for the suspension of revenue at the first sign of distress are far more highly developed than before. In the current year, nearly 222 lakhs of revenue have already been suspended, and about 135 lakhs more will, it is estimated, be suspended in 1908-1909, making 357 lakhs in the two years. Of this sum, a large proportion will necessarily be remitted, but it is too soon to frame any definite estimate of the amount. Not only have the suspensions of revenue been on a very liberal scale; but, what is at least equally important, they were made with great promptitude when it was certain that the crops must fail.

4. Partly owing to these measures and partly, we may reasonably conclude, owing to the greater resisting powers of the people the numbers of those to whom it has been necessary to give direct relief have been much less than in previous famines. In the Province most severely affected—the United Provinces—the numbers at first rose very slowly; the liberal grants of takavi encouraged cultivation and the construction of wells, and maintained the demand for agricultural labour. In January the demand slackened and there was a rapid increase in the number of applicants for relief, but even at the end of February the total number in receipt of relief from the State in British districts, which in the two previous famines at that date exceeded or approached three millions, amounted to less than a million and a quarter. Some further increase in numbers may no doubt be expected after the *rabi* is harvested, but according to the best forecasts which the local authorities can now supply the total direct expenditure on famine relief in the two years will not be greatly in excess of 2 crores of rupees, as compared with 930 lakhs in 1899–1901 and 740 lakhs in 1896–1898.

5. The distress caused by high prices has undoubtedly affected all classes, and has pressed with great severity on the urban populations and on all who are dependent on small fixed incomes. But the more painful conditions which we associate with widespread famine in India—the emaciation, the aimless wandering, the disruption of social ties, and the increase of crime—are as yet so rare and exceptional as to be scarcely noticeable. The energy and determination with which the people have themselves faced the calamity have been observed on all hands, and we may reasonably hope that if the coming season is favourable the progress of the country will resume its normal course, without any such check as a famine on a similar scale would have caused in bygone times.

6. The total loss of revenue and increase of expenditure attributable to the famine in the two years has been estimated at about 461 lakhs and 524 lakhs, respectively. Some of the items comprised in these totals however are conjectural, and while they may be taken for what they are worth, I would not be understood to imply that but for the famine our surplus would have been larger by these sums, or even by the Imperial portion of them, which amounts to 302½ and 323½ lakhs, respectively.

7. In view of the foregoing facts, it will be manifest that we are in no position to undertake any measures for the remission of taxation, or to embark on any schemes of administrative improvement involving considerable expenditure. On the contrary the occasion is one for rigid economy and retrenchment wherever it can be effected. The only measures with which we have felt justified in proceeding are set forth in a later part of the present Statement.

Changes in the form of Accounts.

8. The form in which our accounts are presented has been improved since last year in three respects.

9. The most important of these changes is the exclusion from our estimates and accounts of the transactions of District Boards and of certain other local funds which used to appear in the Imperial Budget. In the Budget discussion of March 1906 the Hon'ble Mr. Gokhale raised this question, and it was again adverted to a year ago. I then explained that the matter had already engaged the attention of Government, but that the examination of the detailed accounts of the numerous funds which the proposal involved was a matter of time. I am now glad to announce that the Secretary of State has sanctioned our recommendation to remove all transactions of a purely local character from our estimates and accounts; and the following is a brief description of the method by which we propose to give effect to the scheme.

10. The financial transactions of the Government of India have hitherto been recorded under three distinct divisions—Imperial, Provincial, and Local. The two former comprise transactions which may be said to pertain to the general functions of Government, inasmuch as they concern either the general administration or the large commercial or *quasi*-commercial departments—Post Office, Telegraph, or Railways—which are under governmental control. The revenues in these cases, so far as they accrue from taxes, are derived from a system of taxation which, broadly speaking, is common to all India; while the expenditure which is met therefrom is incurred in the interest of the country as a whole. The third section of the accounts, on the other hand, related to a group of funds, known as "incorporated" funds, which are raised locally

(to a large extent in the shape of rates on land), devoted mainly to local purposes, and are, in the most important cases at least, managed by local bodies.

11. The system of embodying the revenue and expenditure of certain local funds in the general accounts and estimates of the Empire dates from a period before local authorities possessed the financial and administrative powers with which they are now invested. It was then natural and fitting, for the accounts of these funds represented transactions which were under the direct control and responsibility of Government. With the spread of financial decentralization, however, the position has altered; and it is inexpedient to encumber the public accounts with entries of revenue which the Government no longer enjoys, and of expenditure which it does not incur. The practical inconvenience of the old arrangements led, many years ago, to the exclusion of municipal and port funds, which were at one time incorporated. The continued incorporation of the funds of District and Local Boards and District Councils has been found to be attended by similar inconvenience, though in a less marked degree. It compels those bodies, for example, to frame their budget at a much earlier date than would otherwise be necessary. It deprives them of the freedom of re-appropriation which Municipal authorities enjoy. It forces them to adopt the Imperial system of classification, which is not well adapted to their circumstances. And it tends to subordinate their requirements to those of Provincial finance, and even occasionally to those of other local bodies. These difficulties were felt also in the case of the other and less prominent local funds which have hitherto been incorporated in the public accounts.

12. The decision now arrived at will effect the complete exclusion of the accounts and estimates of District and Local Boards from the Imperial Budget and the statements appended thereto, thus following the practice in the United Kingdom, where the income and expenditure of County Councils are kept entirely separate from the public accounts. The minor incorporated local funds have been either absorbed or excluded, the decision generally depending upon the agency by which they are controlled. If the revenues are not specially assigned to local management, and the expenditure is under the orders of Government, the fund ceases to have a separate existence, and its accounts are absorbed in the Imperial or Provincial accounts, according to the facts of the case. If, on the other hand, the income and expenditure are clearly under the control of a local authority, the fund has been excluded, and treated for budget purposes exactly like municipal or cantonment funds. Certain exceptions have been admitted to this general principle in the case of funds which have been specially created for local purposes and are administered by Government officers in an *ex-officio* capacity, as, for instance, the funds relating to village police.

13. It is not intended that this change in the method of exhibiting the figures shall involve any alteration in the administrative arrangements of local funds. The exclusion of a fund from the general accounts will not imply the cessation of any control, statutory or otherwise, which Government may hitherto have exercised over its administration, nor any alteration in the status of its employés. The transactions of District and Local Boards will continue to be set forth in full in the Finance and Revenue Accounts, but they will there be shown in a special appendix as is already the case with the accounts of Municipalities and Port Trusts.

14. With the disappearance of the "local" column, the adjusting head used for contributions between Provincial and Local revenues has also been abolished; contributions made from Imperial or Provincial revenues to a local fund, or *vice versa*, are now charged as expenditure or shown as a receipt (as the case may be) under the head which is most appropriate to the nature of the charge. Thus, a grant to a District Board for educational expenditure now appears under the head 22.—Education; a grant for plague expenditure under the head 24.—Medical; a grant for construction of roads under 45.—Civil Works; and a grant for general purposes—such as a grant to make good a deficit—has been classified under the head 32.—Miscellaneous.

15. The effect of this change is to exclude a sum of approximately £2,433,000 of revenue and approximately £2,231,000 of expenditure from the aggregate figures. Thus in the accounts for 1906-1907, the figures for Imperial, Provincial, and Local according to the old system would have appeared as follows, *viz.* :—

	£
Revenue	75,577,812
Expenditure (including that which is defrayed from Provincial and Local balances)	73,473,676

The figures will now appear as follows, for Imperial and Provincial only :—

	£
Revenue	73,144,554
Expenditure (including that which is defrayed from Provincial balances)	71,242,937

16. The second change in the form of the accounts has been effected in the method of exhibiting the military figures. Grouping together of Military figures. The military receipts and expenditure have not hitherto been grouped in a convenient way; and in particular considerable expenditure on the defence of India has been hidden away under the head "Marine" which appeared among a group of civil departments. We have now split up this head into two; the new head "Marine" will record the receipts and charges of what is known as the Royal Indian Marine, and takes its proper position among the military group of figures, the total of which shows at a glance the expenditure upon the defence of the country. Receipts and charges connected with the maintenance of river flotillas, pilot services, harbours and the lighting of the coasts will be shown under the new head "Ports and Pilotage" which has taken the place of the old head "Marine" in the Civil Department group of heads. This re-arrangement makes no change in the total figures on either side of the account.

17. The third of the changes which we have introduced relates to the distribution of our total debt, and more particularly of the interest payable upon it, between the two great

Classification of the public debt. divisions of Ordinary or non-productive debt, and Public Works or productive debt. The arrangement hitherto in force has been faulty inasmuch as it has operated to show too large a part of the aggregate interest charge as pertaining to the productive debt, and too small a part as pertaining to the ordinary debt. I proceed to explain how this result has ensued and how we propose to rectify it.

18. In a certain number of cases we have raised loans specifically for the purchase or construction of railways. A recent instance of this occurred in 1905-1906 when India stock to the amount of nearly 12½ millions sterling was issued for the purchase of the Bombay, Baroda and Central India Railway. When a loan of this kind is raised, it is naturally shown as Railway or productive debt, and the interest actually payable on it is charged accordingly. In regard to this class of debt, which may be called specific Railway debt, there is nothing to object to, and I need not refer to it further.

19. The bulk of our debt however is not of this character. It has been raised sometimes on account of war, sometimes on account of famine, mostly on account of capital outlay on Railways and Irrigation works; but it has not been specifically earmarked for the one or the other. In order, therefore, to determine what portion of the whole is properly accountable as productive debt, the practice has been as follows. In the first instance, all loans are treated as ordinary or non-productive debt. Then, at the end of each year, the amount actually spent during the year for capital purposes on Railways and Canals is ascertained, and that amount is transferred to the productive debt class, the remainder only being treated as ordinary or non-productive.

20. Of recent years, the sums thus transferred from ordinary to productive debt have usually been considerably larger than the total of the loans actually raised during the year. The explanation of this is that the funds obtained by actual borrowing have been supplemented from other sources, such as revenue surpluses, Savings Bank deposits, net receipts under other non-revenue heads, the Secretary of State's cash balances, and the like. The result has been to effect a gradual reduction of the ordinary debt, while the productive debt has grown more rapidly than the aggregate of our total debt, productive and non-productive taken together.

21. In thus determining the amounts chargeable as productive and non-productive, respectively, there was nothing to object to. But when we came to allocate the interest charges on the two portions of the debt, as thus determined, the position was different. The total charge on account of interest on the whole debt (including discount on loans raised below par) was of course known; but this total charge was not divided proportionately between the two classes. Down to the 31st March 1900, the practice was to calculate interest on the productive portion, determined as explained in paragraph 19 above, at 4 per cent. The charge so calculated was debited to the productive class, and the remainder of the total interest charge was taken to represent the portion

debitable on account of the non-productive class. In 1901, it was decided with the approval of the Secretary of State to calculate interest on productive debt incurred from the year 1900-1901 onwards at $3\frac{3}{4}$ per cent. Now, taking rupee and sterling loans together, each of these rates, both 4 per cent and even $3\frac{3}{4}$ per cent, is considerably in excess of the rate which we have actually been paying on our real indebtedness. It is obvious therefore that the result has been to swell unduly the burden of interest nominally falling on the productive portion of the debt, and to diminish unduly the share falling on the ordinary or non-productive portion. The following figures, which summarize the account as it stood at the end of 1905-06, will show how wide the divergence had become:—

	Amount of debt.	Interest charges.	Rate per cent.
			£
Ordinary debt	54,425,226	954,787	1.75
Railway debt	149,035,455	5,353,212	3.59
Irrigation debt	27,050,799	1,041,456	3.85
TOTAL DEBT	230,511,480	7,349,455	3.18

22. The existence of the specific debt, to which I have referred in paragraph 18, will always result in some difference between the two rates of interest: but it cannot properly amount to anything like so much as the figures in the last column of the foregoing statement would indicate.

23. The remedy we have decided to adopt is simple. The interest on the specific debt will continue to be calculated and charged as at present. But in respect of all non-specific debt, which is more than four-fifths of the whole, we shall cease to adopt any conventional rate for calculating interest on the productive portion: but instead, shall divide the aggregate interest charge between the productive and non-productive portions in proportion to their respective amounts. This will involve some increase of labour in making the calculations, but it will give correct results, which cannot be said of the former practice.

24. The opportunity has been taken to introduce certain other changes, all making for greater accuracy. It has hitherto been the practice to make the transfer of interest from the ordinary to the productive head wholly in the Indian section of the accounts: and this has resulted in a large minus entry in India under head 13—Interest on Ordinary Debt. We have accordingly arranged that the transfer in respect of so much of the non-specific debt as is recorded in the Secretary of State's books in England shall be shown in the Home section of the accounts. This adjustment does not get rid of the minus entry altogether, but reduces it to moderate dimensions.

25. Secondly it has been found that the rate of interest charged on the Railway Revenue account was unduly exaggerated by the fact that while the interest on money which has been advanced to Railway Companies for capital expenditure is debited to the Railway Revenue Account, the amount of such advances (which are made from borrowed funds) did not find a place in the Capital figures of Railway debt. It appeared in the category of Ordinary debt, the interest charge on which was consequently made to appear unduly low. This error has now been corrected, and a sum of over £13 millions has thus been transferred from the Ordinary to the Railway debt. A third minor correction affects the portion of the specific debt incurred in connection with purchase of Railways which is redeemed by the operation of sinking funds; the total debt is reduced by this amount, but the reduction has hitherto been wrongly made from the Ordinary and not from the Public Works portion of the debt.

26. The adjustments indicated above have been made in the Finance and Revenue Accounts for 1906-1907 and the Revised Estimates of 1907-1908 and Budget of 1908-1909.

27. After making these adjustments, I present the figures for the three years reduced to their simplest form, and excluding Capital, Debt and Remittance transactions. They are as follows:—

		1906-1907 (Accounts). £
Revenue		73,144,554
Expenditure (charged against Revenue)		<u>71,555,179</u>
	Surplus	<u>1,589,375</u>
		1907-1908 (Revised Estimate). £
Revenue		70,989,200
Expenditure (charged against Revenue)		<u>70,753,800</u>
	Surplus	<u>235,400</u>
		1908-1909 (Budget Estimate). £
Revenue		73,438,900
Expenditure (charged against Revenue)		<u>72,867,400</u>
	Surplus	<u>571,500</u>

Accounts of 1906-1907.

The following remarks are based on the figures published in the Finance and Revenue Accounts, and include local transactions, as the detailed exclusion of these was not carried out in the Revised Estimate of the past year.

28. Last March we estimated that the year would close with a surplus of £1,326,100. The account as finally made up shows an actual surplus of £1,589,340, being an improvement of £263,240. This represents the result of the Imperial section of the accounts only. The net Provincial and Local surplus was less than had been estimated by £98,704, so that the net result of both sections was a betterment of £164,536.

29. The revenue brought to account was £49,088 less than the estimate. The receipts from Land Revenue, Excise, Forests and Postal Services were somewhat less than was expected; but the principal factor was a large reduction of £323,273 in net Railway earnings, mainly owing to freight on traffic carried at the end of the year not having been adjusted till April in consequence of the Easter holidays. Expenditure on renewals was also somewhat heavier than had been estimated on the Eastern Bengal State Railway and some other lines. On the other hand the receipts from Opium, Salt, Customs and Army were largely in excess of the estimate. In the case of Salt the increase amounted to £72,706. This was due to enormous clearances made in the last 12 days of the year, after the reduction of the duty on the 20th March 1907. Up to the end of February, issues of salt exceeded those of the corresponding period of 1905-1906 by only 5,14,000 maunds. During March, however, 59 lakhs of maunds were cleared, and the actual excess in the whole year amounted to no less than 23,57,000 maunds.

30. Under Military Services, the increase amounted to £122,153, the bulk of which occurred in England, and was due to refunds by the War Office of arrear charges on account of sea transport.

31. On the expenditure side of the account there was a large apparent increase of £573,858 under interest on Ordinary Debt, and decreases of £460,115 and £142,669 under Railways and Irrigation respectively. These variations however were almost wholly nominal, and due to the change of classification described in paragraphs 23 to 25 of the present statement, by which a larger part of the total interest charge will henceforward be debited, as it should be, against ordinary debt, and a smaller part against

Railways and Irrigation. The only other variation of importance was a reduction of £152,663 under Military Services. This was due to lapses in the provision for expenditure on stores in England, and to a lesser extent to short outlay in India, and to a refund by His Majesty's Government on account of bounties on re-engagement. These savings were partly counterbalanced by larger expenditure under Marine on account of vessels under construction.

32. Further details will be found in Part II of the present Financial Statement and in the Comptroller General's Appropriation Report which has recently been published.

Revised Estimate for 1907-1908.

33. In comparing the figures of the Revised Estimate for 1907-1908 with those of the Budget Estimate for the same year presented last March, it is necessary to make allowance for the exclusion of the figures of Local Funds, as explained in paragraphs 8 to 14 above. Where the figures now quoted differ from those presented a year ago, it should be understood that the difference is due to this cause.

34. After making these adjustments, it will be seen that a year ago we estimated that the revenue of the year would amount to £72,500,000, the expenditure charged against revenue to £71,725,400, and the surplus to £774,600.

35. The failure of the monsoon and the presence of famine will have prepared the Council for a less favourable result. We now anticipate a revenue of £70,989,200, being a falling-off of £1,510,800. The expenditure charged against revenue has also fallen off to the extent of £971,600, of which however only £462,500 represents real reductions, the remainder, £509,100, representing increase of expenditure defrayed from Provincial balances in the manner which I explained last year. The Imperial surplus is now expected to amount to only £235,400, or less than one-third of that for which we had originally budgeted.

36. The following are the principal heads of revenue and expenditure which differ from the original Budget Estimate by £50,000 or thereabouts:—

REVENUE.		£
<i>Increase—</i>		
Opium	.	371,800
Salt	.	46,900
Stamps	.	67,700
Customs	.	368,500
Assessed Taxes	.	49,200
Mint	.	192,700
<i>Decrease—</i>		
Land Revenue	.	1,701,100
Forests	.	148,100
Miscellaneous	.	59,700
Railways: net receipts	.	725,400
EXPENDITURE.		£
<i>Increase—</i>		
Interest	.	734,900
Miscellaneous	.	158,400
Famine Relief	.	455,900
Other Public Works	.	116,400
<i>Decrease—</i>		
Direct demands on the Revenue	.	211,300
Railways, Interest and Miscellaneous charges	.	512,100
Irrigation	.	187,300
Military Services	.	758,600

Full explanations will, as usual, be found in Part II of the statement. The only matters that need be mentioned here are the following.

37. Last March I explained the reasons why it was then necessary to make a cautious estimate of the prices likely to be obtained for Bengal opium during the year. The price assumed was Rs 1,250 per chest, but this has consistently been exceeded, and the average rate actually obtained has been Rs 1,350. This has increased our receipts by over 45 lakhs. At that time also the Malwa trade was depressed, and we estimated that

only 13,292 chests would pass the scales for export during the year. Since then the trade has revived somewhat, and the number of chests on which duty will be paid is now likely to amount to 15,000. This will yield a further increase of 10 $\frac{1}{4}$ lakhs under this head.

38. We now anticipate that the salt revenue of the year will amount to £3,336,900 as compared with the Budget Estimate of £3,290,000, being a small increase of £46,900. Our calculations were based on the assumption that the issues of salt would amount to 434 lakhs of maunds, which figure is now likely to be exceeded by the comparatively small amount of 9 lakhs of maunds. This would have been larger but for the fact, already referred to in paragraph 29 of the present statement, that in the latter part of 1906-1907, dealers held up their requisitions in anticipation of a reduction of the duty. When this was announced on the 20th March 1907, there was an immediate rush to replenish stocks, the issues during that month amounting to 59 lakhs of maunds as compared with 40 lakhs in March 1906. Had this large excess been more regularly distributed, the later year would have shown a much larger improvement.

39. The effect of the successive reductions in the duty has been very marked, as will readily be seen from the following statement:—

Year.	Issues of salt (in lakhs of maunds).	Increase + or decrease — as compared with the previous year.	
1898-1899	355	+ 10	
1899-1900	352	— 3	
1900-1901	362	+ 10	
1901-1902	360	— 2	
1902-1903	369	+ 9	
1903-1904	376	+ 7	Duty at R2 per maund.
1904-1905	394	+ 18	
1905-1906	407	+ 13	Duty at R1.8 per maund.
1906-1907	431	+ 24	Duty at R1 per maund.
1907-1908 (Estimate)	443	+ 12	

The duty in Burma was levied at R1 per maund throughout the whole period.

40. It is true that the effect of a reduction of the duty takes a certain time to filter down to the consumer: and the figures of individual years are liable to be affected by the fact that alterations in the duty do not exactly synchronize with the commencement of the official year. But after allowing for these disturbing factors, the contrast between the progress of consumption in the first five years of the series, during which the duty was R2.8-0 per maund, and that of the second half, during which it has been gradually reduced to R1 per maund, is sufficiently marked. Between 1897-1898 and 1902-1903, under the former system, the issues increased by 24 lakhs of maunds in all. Between 1903-1904 and 1907-1908, the corresponding increase has been 74 lakhs of maunds, or more than three times as much. The sacrifice of revenue has no doubt been very large. Our receipts now amount to only £3,336,900 as compared with £6,184,400 in 1902-1903: and we cannot hope, within any period worth considering, to make this good, even with the accelerated consumption which now prevails. But we entertain no doubt that it is money well lost, and that the sacrifice has been made in the true interests of the people of India.

41. Before leaving this subject, I should like to make a short digression. It is perhaps not generally known that the levy of a revenue from salt is by no means confined to India, but forms a feature of the fiscal system in not a few of the leading countries of Europe. I have not obtained particulars of all: but by the courtesy of the Consulates at Calcutta, to the gentlemen in charge of which our acknowledgments are due for the assistance they have rendered us, information has been collected in regard to France, Germany, Austria-Hungary, Italy, and the Netherlands. The systems in force in these countries vary largely, and in some cases are of much complication. It would be inappropriate to encumber the present statement with the details, but broadly speaking it may be said that each of them includes either an import duty, an excise, or a State monopoly, and frequently a combination of these methods. The consumption of comestible salt, the net revenue derived from its taxation, after deducting

where necessary the cost of production, and the incidence of the taxation, are shown below:—

	Consumption of comestible salt in millions of lbs.	Revenue from taxation.	Average payment per head.
		£	s. d.
France	751.6	1,339,000	0 8
*Germany	931.3	2,468,000	0 11
Italy (excluding Sicily and Sardinia)	424.3	2,961,000	2 0
Austria-Hungary	896.5	2,766,000	1 2
Netherlands	114.4	138,000	0 6
India	3,571.7	3,090,000	0 2½

* The figures for Germany are of somewhat old date.

42. In the case of the European countries, the figures of consumption relate to edible salt only. In addition to this there is a large consumption in each of them for industrial and manufacturing purposes, and this salt is usually either exempt from taxation, or charged at reduced rates. Similar concessions are also allowed in India for salt used for certain manufacturing purposes, but India is not a great manufacturing country and the amount of salt so used is comparatively trifling.

It may be mentioned that the Commonwealth of Australia has recently imposed a duty of £1 per ton on salt imported from outside the Colony.

43. After being nearly stationary for three years, the Customs revenue has made a long stride forward, yielding 55½ lakhs in excess of the estimate, and nearly 92 lakhs in advance of that of the previous year. This result was obtained notwithstanding a reduction of 6 lakhs under sugar and 15 lakhs in the export duty on rice, the latter being due to the diversion of Burma rice to Indian ports in consequence of the scarcity in Northern India. The imports of cotton piece goods were unprecedentedly large, and yielded 15½ lakhs more than the estimate, while the excise duty on cotton goods manufactured in India was also the highest on record, yielding the substantial sum of 32½ lakhs. The other items which contributed chiefly to the increased receipts were manufactured articles 14 lakhs, silver 13½ lakhs, other metals 9½ lakhs, petroleum 8½ lakhs, and articles of food and drink, other than sugar, 4 lakhs.

44. The increase under Mint receipts was due mainly to the success of the nickel coinage, the profits on which amounted to 16 lakhs, whereas credit had been taken for only 2 lakhs in the Budget Estimate. The demand for bronze coins was also much greater than had been anticipated, and we realized a profit of 18 lakhs, or 10 lakhs more than the original estimate. As has been explained elsewhere in the present statement, the coinage of new rupees was comparatively restricted, but even so the receipts from seignorage exceeded the estimate by rather less than 3 lakhs of rupees.

45. The great falling-off of nearly 1½ millions sterling under Land Revenue is of course attributable to the famine, which has necessitated suspensions and remissions on a very large scale. The loss is greatest in the United Provinces where it is expected to amount to nearly 142 lakhs of rupees. Next comes Bombay with 46 lakhs; Burma with 30 lakhs, of which, however, a part is due to a change of classification; the Central Provinces with 13 lakhs, the Punjab with 17½ lakhs, and Madras with 6½ lakhs. The total sums sanctioned as suspensions and remissions reach the high figure of 284 lakhs.

46. Down to October inclusive our Railways did extremely well, and the net receipts were more than 94 lakhs in excess of the proportionate estimate of the year. From November however a deterioration set in mainly in consequence of the scarcity in Northern India and the stoppage of wheat exports. The gross earnings are still expected to be in excess of the Budget figure. But the working expenses and charges for renewals have increased in much greater proportion especially on the Great Indian Peninsula, the Oudh and Rohilkhand, the Bengal Nagpur and the Eastern Bengal State Railways. The net receipts of the year are now estimated at £12,929,400, which is less than the Budget Estimate by £725,400, and fall short of the receipts of 1906-1907 by £54,400.

47. On the expenditure side of the account, there is a large increase of £734,800 under Interest on ordinary debt, and a decrease of £585,700 under Interest on Railway and Irrigation debt. The bulk of this is due to the more correct classification of the productive and non-productive debt which was explained in an earlier part of the present statement. In so far as the increase was real and not merely apparent it was due to the fact that the sterling loans raised during the year aggregated 8½ millions as compared with the forecast of only 3½, while the rate of interest was 3½ per cent instead of 3 per cent.

48. The large decrease of £187,300 under Irrigation is mainly due to the transfer of £135,300 of interest charges to the non-productive head. The expenditure under Opium was less than estimated by £141,600, mainly in consequence of the poorness of the poppy crop. Expenditure on Forests fell by £85,300 following the reduced receipts under the same head.

49. The increase under the miscellaneous group of charges is chiefly due to an increase in the charges for stationery and printing: but also in part to the cost of the various special committees that have been at work during the year, including among others the Royal Commission on Decentralization, the Factory Committee, and the Committee on the Civil Procedure Code.

50. For direct expenditure on the relief of famine, we originally provided only a small sum of slightly over 9 lakhs, almost all for Bengal. We now anticipate that the charges on this account will amount to nearly 77½ lakhs, including 67½ lakhs in the United Provinces, and 6 lakhs in Bengal, besides smaller sums in the Punjab, the Central Provinces, and Bombay. On the other hand, the provision of 33·11 lakhs in the Imperial Budget for "Reduction and Avoidance of Debt," has necessarily disappeared. There is a provision of 37½ lakhs in the Provincial column of the same head, almost all of which would have been swallowed up also, but this now remains in virtue of the system introduced last year for the relief of Local Governments from a part of the burden of famine relief charges, as explained in paragraphs 48 to 57 of the last Financial Statement.

51. The large saving of £758,600 under the Army group is made up of reductions amounting to £575,600 under Army (effective), and £20,700 (non-effective), £124,900 under Military Works, £27,500 under Special Defences, and £9,900 under Marine.

As regards the first and largest of these items, a decrease of £256,000 occurred under ordinary Army charges, and was mainly due to smaller payments to the War Office in respect of British forces serving in India owing to the earlier settlement of advances made by the India Office, to temporary shortage in the strength of troops (British and Native), lower railway charges, smaller home expenditure on stores, smaller expenditure on the supply of malt liquor, and the suspension of the training of reservists. There was also a decrease of expenditure consequent on the re-organisation of the Supply and Transport Corps, and the reduction of the Army Bearer Corps. The net saving would have been larger but for an increase of £85,000 on food supplies, due to the prevailing high prices, and for the expenditure on the Bazar Valley Expedition which we now estimate at £50,000 falling within the year 1907-1908 besides arrear charges of £6,700 which will be brought to account in the following year. The remainder, £340,300 represents a lapse on the special grant for the improvement of the Army, and was due to the postponement of various measures for which provision had been made in the Budget, or to delay in carrying them out. These included the rearmament of Horse and Field Artillery, the conversion of two Bullock Draught Heavy Batteries into fully Horsed Batteries, the formation of two additional Native Mountain Batteries and of an additional Native Cavalry regiment, the re-organisation of Horse and Field Batteries and of ammunition columns, and the increase in the reserves of ammunition and of rifles. The expenditure on the construction of lines for Native troops and on the purchase of land for this purpose was also considerably less than had been anticipated. The funds available from these and other smaller savings were however utilised in part to accelerate the progress on other measures. The entire saving under Military Works also occurred in connection with the grant for "Special" expenditure, the greater part being due to the slow progress made in initiating or carrying out a variety of measures for the redistribution of the Army. Expenditure on Special Defences was similarly delayed by a reconsideration of certain questions of armament.

52. The large increase of 76·37 lakhs in the Provincial deficit is due partly to some of the Local Governments having spent more than their allotments, to the extent of 40·3 lakhs *net*, mainly on account of famine relief in the United Provinces, and larger outlay on Public Works in the Central Provinces, and Burma. An important

contributing cause however was the contraction of Provincial Revenue due to the famine. The total loss of Land Revenue has been 255.16 lakhs, and of this the Provincial share was 60.66 lakhs. This would have been greater but for (1) the payment of 10.37 lakhs to Bombay and the Central Provinces under their minimum guarantees, and (2) the grant of 32.72 lakhs from Imperial Revenues to the United Provinces to enable the latter Government to close the year with a balance of 20 lakhs. There were improvements under some other heads, but the net reduction in the total Provincial Revenues under all heads as compared with the Budget was 36.07 lakhs, and this sum combined with the net increase of Provincial expenditure mentioned above, makes up the aggregate increase of 76.37 lakhs by which the Provincial balances have been depleted during the year.

Budget Estimate for 1908-1909.

53. For next year, we estimate the revenue at £73,438,900, the expenditure chargeable against revenue at £72,867,400, and the surplus at £571,500. The total actual expenditure is estimated at £73,392,500, but of this amount £525,100 will be met from Provincial balances. These estimates are based on the assumption that the monsoon of the coming year will be normal in character.

54. Under the important head of Land Revenue, we hope for an improvement of £1,435,200 over the figures of the Revised Estimate of the current year. If these expectations are realized, we shall receive slightly more than was collected in 1906-1907, but £265,900 less than we had originally estimated for 1907-1908. This result is of course due to the necessity for making liberal provision for suspensions and remissions in the United Provinces, and other areas in which famine is now prevalent. In these, and indeed almost everywhere, the prospects of the *rabi* crops are excellent, though the area sown is perhaps 25 per cent less than usual.

55. Under Opium, we estimate that our gross receipts will amount to 726.43 lakhs and our net revenue to 503.29 lakhs in 1908-1909, as compared with 783.43 and 534 lakhs respectively in the current year. The reduction in net revenue would have been greater but for the poor outturn of the crop now being gathered which will reduce the payments to be made to the cultivators. The number of chests of Bengal opium to be offered for sale has been reduced from 48,900 to 45,900, and the average price likely to be obtained has been estimated at R1,300 per chest as against R1,350, the average obtained during the current year. The trade in Malwa opium has slightly revived of late, and we have assumed that 15,100 chests will pay duty, that being the full amount permissible during the calendar year, as explained below.

56. In last year's Financial Statement, I referred to the fact that negotiations were in progress with the Government of China in regard to the restriction of the opium trade, but these had not at that time reached a stage at which any announcement was possible. Papers have recently been presented to Parliament explaining the nature of the settlement that has been arrived at. The gist of the latter in so far as it is material for the present purpose is to the following effect—*vis.*, (1) that the Government of India have agreed to restrict the export of opium from this country to 61,900 chests during the calendar year 1908, and to effect further reductions of 5,100 chests in each of the two following years; (2) that the question of making still further reductions after the year 1910 will depend on whether China has, in the interval, effected a proportional reduction in its own production and consumption of opium; (3) that the question of increasing the Chinese import duty, which at present stands at 110 taels per picul, has been postponed for the present, as the objections entertained to that course are felt to require much fuller consideration; and (4) that China shall be permitted to post a Chinese official at Calcutta to watch the auctions and the packing, but with no power of interference.

In pursuance of this agreement we have reduced the area under poppy cultivation in the Bihar and Benares Agencies from 845,000 bighas to 800,000 bighas. The number of chests of Bengal opium to be offered for sale has been reduced to 3,900 per mensem till December next, and to 3,600 from January to March 1909: and the number of chests of Malwa opium which may be exported from Bombay has been limited to a maximum of 15,100 during the present calendar year. Further reductions will probably be effected in 1909 and 1910.

57. India is thus prepared to do its part in co-operating with China towards the eventual extinction of the opium habit among the Chinese. Whether further measures will hereafter be taken will depend on the degree of success which may be found to attend the efforts of the Chinese Government. That those efforts are sincere we

entertain no doubt, and such evidence as we possess indicates that the present movement is backed by a greater measure of official influence and public opinion than has been the case on former occasions. The difficulty of the task however is enormous, and it cannot be affirmed with confidence that a habit which has acquired a strong hold over many millions of people, and a trade which yields large profits not only to the Chinese Government but to great numbers of cultivators and middlemen, can be effectually stamped out in the brief space of ten years.

58. Under the remaining principal heads of revenue, such as Salt, Stamps, Excise, Customs, and Assessed Taxes, we have taken credit for a normal development of revenue. The Forest receipts in the current year have been disappointing especially in Burma and the Punjab, but it is an expanding head, and we hope that a considerable part of the set-back will be made up next year, though possibly not the whole. Departmental receipts also, from the Post Office, the Telegraphs and the Civil Departments generally, are not likely to be affected by any exceptional influences, and may be expected to exhibit their normal growth. Mint receipts however are expected to be less than in the current year by £165,900. This is due to there being no probability of any considerable coinage of rupees from purchased silver during the ensuing year. We have also taken a moderate estimate of the profits from bronze and nickel coinage. Under "Miscellaneous" there is a decrease of £129,700 which is due partly to there being no provision for payment of the Tibet indemnity, the last instalment of which was paid during the present year. In view also of the present state of exchange we have made no provision for gain on that account. In the present year we expect to realize 9 lakhs from that source. In Military receipts there is a drop of £129,900 which is mainly due to the discontinuance of the system of supplying malt liquor to the Army by State agency. There is a corresponding reduction on the expenditure side.

59. I have explained elsewhere that there has been a set back in net Railway earnings during the current year. We hope that the causes which have led to this will not continue, and that the progress of this important branch of our assets will resume its normal course. In this view we have estimated for an increase of £800,100 under this head as compared with the current year. The figure taken, *viz.*, £13,729,500, is only slightly more than we originally estimated for 1907-1908. Under Irrigation also, we expect to receive a substantial increase of £192,300, the greater part of which comes from the Punjab.

60. On the expenditure side of the account the most important feature is an increase of £995,200 in the expenditure of the Civil Departments. The principal items which go to make up this considerable total are Police (£301,100), Medical (£280,000) and Education (£183,200), besides smaller sums under Political, Scientific and Minor Departments, and General Administration. All the Provincial Governments are making vigorous efforts to expend the allotments we have made during the last three years for the reform of their police establishments, and Bombay in particular hopes to make large progress during the ensuing year. As explained below we are making further grants aggregating 12 lakhs for this purpose on the present occasion. Under Medical the bulk of the increase is explained by the special grant of 30 lakhs referred to in paragraph 65. The increased provision for Education occurs partly in the two Bengals, but chiefly in the United Provinces, where extensive schemes of educational improvement are on foot. Part of the increase in the last-named province, however, is nominal, and is due to the transfer of the Zilla schools from local to Provincial management with effect from next year.

61. Under the head of Famine Relief, we have provided for an outlay of 132'07 lakhs, of which one crore is for the United Provinces, 10 lakhs each for Bengal and the Central Provinces, and smaller sums elsewhere. Of the total amount, 80'51 lakhs falls on Imperial revenues, and 51'56 on Provincial. Of this last amount, however, 50 lakhs belongs to the United Provinces, and as the balances of that Government have unfortunately been entirely depleted by reason of the famine, the bulk of this charge, as well as the greater part of that incurred in the same Province in the current year, will eventually fall on Imperial.

62. I explained last year the operation of the new arrangements for apportioning the cost of famine relief between the Imperial and Local Governments. It is a matter of much regret that the occasion for putting them in force should have come round so soon, but the relief actually afforded to provincial revenues has been substantial. Excluding the United Provinces, the circumstances of which are special, we find that in

the five other provinces affected, *viz.*, the Central Provinces, Bengal, Punjab, Madras and Bombay, charges aggregating 9.46 lakhs have been transferred to Imperial during the current year, and a further sum of 28.94 lakhs will be similarly transferred in 1908-1909. But for the introduction of the revised system, the whole of those charges would have devolved upon the revenues of the provinces concerned.

63. The reduction of £224,700 under Civil Public Works occurs chiefly in Bengal, Burma, and the Punjab, where the diminution of the provincial balances has necessitated some slackening of the rate of expenditure incurred of late years. The Military charges are dealt with more fully in another part of the present statement. Although they are estimated at £233,900 more than in the present year, they are less than those of 1906-1907 by £831,700, and are also less than the budget provision of 1907-1908 by £524,700. This result is partly due to the restriction of the grant for "special" expenditure on the improvement of the Army to 2½ crores, no regrant of lapses being made. The reduction would have been greater but for a large increase of £130,000 in the cost of food supplies as compared with the present year, due to the prevalence of high prices.

64. As already explained, the financial position does not permit of our undertaking any new measures involving large expenditure. We have however provided a sum of 12 lakhs per annum for the further prosecution of police reform in accordance with our established policy, and have distributed it as follows:—

	R
Bombay	4,25,000
Bengal	4,00,000
Eastern Bengal and Assam	1,25,000
Central Provinces	1,50,000
Minor Provinces	1,00,000

Burma, Madras and the United Provinces do not share in the present allotment because those three provinces have already received their full grants in connection with the revision of their Provincial Settlements. In the case of the two last named, this is contingent on the approval of the Secretary of State. The Punjab also has practically received its full assignment.

65. We have also been able to make some provision for another object to which we attach great importance. I refer to the improvement of the public health. Hitherto comparatively little has been done in this direction, and it is sometimes made a reproach against us that no organized effort has been made to improve the sanitary conditions in which the people live. The continued prevalence of plague, and the special measures which have been concerted to combat it, have brought this question into exceptional prominence. In those measures there is reason to hope for the co-operation of the people in a degree which has not previously been attained; and notwithstanding the present pressing need for economy, we believe that it will be politic to give a tangible proof of our sympathy in the form of some special assistance from Imperial funds. Apart from expenditure of this nature, which will not, we trust, be of a permanent character, there is room for almost unlimited outlay of the most beneficial description in reforming the sanitary arrangements of the larger towns. The necessity for financial assistance to enable these to achieve a sanitary standard less primitive than at present prevails has been pressed upon us by more than one of the Local Governments. We have therefore decided to allot a sum of 30 lakhs per annum, among the different provinces, for expenditure on sanitary improvements with special reference to the prevention of plague. Each Local Government will be at liberty to expend the money at its discretion, and to attack the problem in whatever way it prefers. The sums assigned to each of the provinces are shown below: and it is a matter of regret to us that it has not been possible to make them larger:—

	R
Madras	3,50,000
Bombay	4,50,000
Bengal	4,50,000
United Provinces	5,00,000
Punjab	4,00,000
Burma	3,00,000
Central Provinces	2,00,000
Eastern Bengal and Assam	3,00,000
North-West Frontier Province	50,000

66. The only other point to which I need allude is the framing of new Provincial Settlements with Madras and the United Provinces. These were worked out during the past year, and were designed to give to the Local Governments concerned the same share of the divided heads of Revenue, *viz.*, Land Revenue, Stamps, Excise, Assessed Taxes and Forests, as is enjoyed by other provinces. In the case of the United Provinces, it was also desired to effect some improvement in the general financial position of the Local Government. The new arrangements have been incorporated in the budget for next year, but they are still under the consideration of the Secretary of State, and must be regarded as only provisional pending receipt of his orders. It is unfortunate that the occurrence of famine has seriously affected the finances of the United Provinces. Their balances have been not merely exhausted but overdrawn, and, in addition to the Imperial grant of 32.72 lakhs made in the current year, it has been necessary to make a further grant of 14.82 lakhs in the ensuing year in order to secure bare equilibrium. The consideration of the further measures that will be necessary to place the Provincial finances on a better footing must be deferred until after the character of the next monsoon shall have declared itself.

Military Expenditure.

67. I append the usual statement showing the total expenditure on the Army under the various heads during the past 5 years:—

	Army.	Marine.	Military Works.	Special Defences.	Total.
	£	£	£	£	£
1904-1905	20,175,694	620,789	981,599	128,295	21,906,377
1905-1906	19,267,130	551,070	1,094,905	146,306	21,059,411
1906-1907	19,657,845	662,368	1,127,515	138,358	21,586,086
1907-1908 (Revised)	18,754,600	513,500	1,134,200	118,200	20,520,500
1908-1909 (Budget)	18,972,500	473,300	1,199,200	109,400	20,754,400

68. I need not again describe our policy for the financing of special military expenditure, of which a full account was given in paragraphs 60—67 of the Financial Statement for 1907-1908. As I there explained, the annual grant provided to meet this expenditure was reduced in 1907-1908 by half a million, but a large additional sum was also granted on account of lapses which had occurred in the previous year. For 1908-1909 we have again taken the special grant at the reduced amount adopted for the current year, and it has also been decided, in view of the general financial situation, not to make any further addition on account of lapses, though these have again been large. The total provision made for special expenditure is therefore £1,666,700. Out of this amount, close on two-thirds of a million are required to meet recurring expenditure on measures already brought into effect, and the provision for new expenditure on measures for the improvement of the Army is therefore limited to one million. The bulk of this sum will be required for work already in progress, but it includes some provision for new measures.

69. We are beginning now to obtain the full advantage of various economies which have been effected in the last few years. Our demands for stores from England are also reduced, and a large item of expenditure (£153,700), together with corresponding receipts, now disappears from the accounts in consequence of the new arrangements for the supply of malt liquor to British troops. These causes would have enabled us to reduce our estimate for ordinary Military expenditure in 1908-1909 to £425,200 below the provision made in the current year, but for the rise in prices due to the

prevailing scarcity which has made it necessary to provide £215,000 for additional expenditure on the feeding of the Army. The actual improvement as regards ordinary expenditure is thus reduced to £210,200. We have still to learn whether the deliberations of the Romer Committee will result in extra charges being thrown on Indian Revenues in respect of the British troops employed in this country.

70. I should also mention certain changes by which we hope to strengthen the control over military expenditure. When the Commands were abolished in June last, the financial responsibilities attached to the appointments of Lieutenant-General Commanding devolved upon the Divisional Generals, but the Budget grants which had been framed in the preceding March were of course on a Command basis. We have now decided that each General Commanding a Division or Independent Brigade shall have a separate Budget, and this arrangement will come into effect from the 1st of April. We have also re-organized the Military Accounts Department with the object of arranging that a single Accounts officer shall transact all the accounts work of a Division; including that which relates to Supply and Transport, and be in a position to advise the General Officer Commanding on financial points; and we propose to establish a special Controllership to deal for the whole of India with all technical supply work such as the accounts of Ordnance Factories and the auditing of railway charges. Simultaneously we have re-classified the military accounts with the object of grouping charges in such a way as to correspond more closely with the distribution of financial responsibility. We believe that these measures will tend to establish closer relations between the administrative and the financial authorities, and to remove from the Military Accounts system much of the obscurity which has hitherto been an obstacle to effective control.

Railway Construction and Earnings.

71. The following statement shows in the usual form the capital expenditure on railways during the past five years and the Budget Estimate for 1908-1909, whether incurred directly by the State or through the agency of Guaranteed or Assisted Companies:—

	1903-1904.	1904-1905.	1905-1906.	1906-1907.	1907-1908 (Revised).	1908-1909 (Budget).
	£	£	£	£	£	£
Open lines, including rolling stock	3,725,134	3,351,734	5,121,300	5,948,067	7,394,600	7,659,200
Lines under construction—						
(a) Started in previous years	2,091,200	3,246,066	3,663,073	3,526,066	2,605,400	2,207,500
(b) Started in current year	564,134	590,800	215,057	176,667	...	133,300
TOTAL . .	6,380,468	7,188,600	8,999,430	9,650,800	10,000,000	10,000,000

72. On the 31st March 1907 the total length of open lines was 29,303·37 miles classified according to gauge as follows:—

5' 6" gauge	15,630·08
Metre "	12,330·40
Special gauges (2' 6" and 2')	1,342·89
TOTAL . .	29,303·37

73. During the current year we have added to these approximately the following mileage:—

5' 6" gauge	338.33
Metre "	453.85
Special gauges (2' 6" and 2')	192.98
TOTAL	985.16

During the ensuing year we hope to increase this length by 921.35 miles more.

74. The original estimates of the current year provided for 9 millions of capital expenditure. Later on however, on the advice of the Railway Finance Committee, it was decided to increase this by another million, the additional funds being provided from the profits on coinage. It is anticipated that the enhanced allotment of 10 millions will have been spent in full by the end of the year.

75. For 1908-1909, we have again been able to arrange for a grant of 10 millions, at which figure the programme has now stood for three years in succession. The important question of the most effective and economical method of providing the growing sums required for the development and maintenance of our Railway system was referred by the Secretary of State to a special Committee in London; the latter have been placed in possession of the views of the principal commercial bodies in this country, and have received a mass of other evidence; and it now remains to await the conclusion of their deliberations.

76. The distribution of the grant and the allotments for rolling stock among the various lines, so far as they are yet finally settled, will be found set forth in the annexed memorandum by the Railway Board.

77. The Revenue returns have been considerably less favourable than we had anticipated. Last March we estimated that the gross receipts of State Railways would amount to 40.12 lakhs, the working expenses to 19.75 lakhs, and the net earnings to 20.37 lakhs. The revised estimate is as follows:—

Gross receipts	41.14 lakhs.
Working expenses	21.54 "
Net earnings	19.60 "

This is 77 lakhs less than the estimate, though 21 lakhs in advance of the results of 1906-1907. The true result, however, is even less favourable; for the figures of the current year have been swollen by the inclusion of 18 lakhs of net receipts earned on the Madras Railway which became a State line from the 1st January last, and by the transfer of about 30 lakhs carried forward from the previous year on account of the Easter holidays of 1907. There was thus a real set-back of net earnings as compared with the previous year, notwithstanding the inclusion of the Madras Railway, and the addition of nearly 1,000 miles of new line. In part this is due to the famine in Northern India, which has destroyed or diverted the important wheat trade, though the gross receipts are still somewhat in excess of the estimate. The strike on the East Indian Railway last November is estimated to have reduced the earnings by about 15 lakhs. For the most part, however, the cause is to be found in the large increase in working expenses and renewals, which have exceeded the estimate by 179 lakhs of rupees and amount to 52.37 per cent of the takings, as compared with 49.87 per cent in 1906-1907, and 47.81 per cent in the previous year. The return on the capital at charge amounts to 5.17 per cent, as compared with 5.38 per cent in 1906-1907 and 5.56 per cent in 1905-1906. The steady growth of the relative burden of working expenses in the last few years is a somewhat disquieting feature. A time comes in the history of most railways when the receipts from new traffic hardly cover the cost of carrying it; and it is a matter of common remark that this stage has been reached in not a few railways in the United Kingdom. Hitherto, however, it has not been supposed that we were within measurable distance of it in India. Various reasons have been suggested to account for it, such as the increased cost of coal, and the higher salaries which are now generally commanded by Railway establishments. The matter deserves, and is receiving, the close attention of Government and the Railway Board.

Irrigation.

78. The following table exhibits the principal figures of Revenue and Expenditure connected with irrigation :—

	1904-1905.	1905-1906.	1906-1907.	1907-1908, Revised.*	1908-1909, Budget.
<i>Productive Works.</i>					
Capital outlay to end of year	£ 24,084,700	£ 24,664,916	£ 25,745,780	£ 26,963,100	£ 27,989,000
Direct receipts Land Revenue due to Irrigation	1,940,670 883,809	1,813,919 959,098	2,307,959 999,989	2,141,000 1,024,500	2,321,300 1,066,000
TOTAL	2,824,479	2,773,017	3,307,948	3,165,500	3,387,300
Working Expenses	849,700	874,721	926,310	963,600	953,500
Interest	949,928	967,969	870,962	911,700	944,100
TOTAL	1,799,628	1,842,690	1,797,272	1,875,300	1,897,600
NET PROFIT	1,024,851	930,327	1,510,676	1,290,200	1,489,700
<i>Protective Works.</i>					
Outlay on construction to end of year	1,720,397	1,983,941	2,019,081	2,385,300	2,742,800
Direct receipts Land Revenue due to Irrigation	53,661 9,441	55,237 9,681	34,272 6,992	40,300 7,300	36,000 7,300
TOTAL	63,102	64,918	41,264	47,600	43,300
Working Expenses	25,581	23,102	18,322	21,300	22,900
Interest	65,296	73,487	64,269	75,900	88,500
TOTAL	90,877	96,589	82,591	97,200	111,400
NET LOSS	27,775	31,671	41,327	49,600	68,100
<i>Minor Works and Navigation.</i>					
Direct receipts	179,100	164,673	183,705	234,900	209,700
Expenditure	890,833	937,334	856,898	860,900	908,800
NET LOSS	711,733	772,661	673,193	626,000	699,100

* The figures for 1907-1908 include the capital outlay to end of 1906-1907 on the following Minor Works transferred to the productive class from 1st April 1907 :—

	R	£
United Provinces	10,40,873	69,400
Bijnor	2,48,476	16,570
North-West Frontier Province	9,77,683	65,180
Madras	4,07,014	27,130
Shatiatope anicut system	3,33,259	22,220
Tirrukoyilur anicut system	3,98,916	26,600
Cheyuru anicut system	2,30,767	15,396
Poiney anicut system	14,89,605	99,310
Lower Coleroon anicut system		
TOTAL	51,26,593	341,800

79. On the 31st March 1907, 55,928 miles of main and branch canals and distributaries had been constructed commanding 50 million acres of culturable land, the area actually irrigated in 1906-1907 being 21,992,683 acres. The productive works during that year yielded a net return of 9.25 per cent on the capital outlay of 3,862 lakhs after paying all charges exclusive of interest. The net profit to the State was 227 lakhs.

80. The Revised Estimate for 1907-1908 shows a net profit of 194 lakhs on productive works, and a net return on capital outlay of 8.17 per cent. Good progress was made during the year with the works in hand, of which the principal are the Triple Canal Scheme of the Punjab and the Upper Swat River Canal in the North-West Frontier Province. On the 31st March 1908 we expect to have 56,882 miles of main and branch canals and distributaries constructed to command 50,195,000 acres of culturable land, and we shall have actually irrigated close on 22 million acres during the year.

81. Surveys of irrigation possibilities in the different provinces have been actively pushed on, and the programmes are approaching completion. In Sind the surveys include a barrage across the Indus at Sukkur to supply water for the Right and Left Bank Canals, and to improve the supply and extend the irrigation on the Eastern Nara effluent of the Indus. It is expected that the preparation of these projects will be completed during 1908-1909. The effect of them when completed will be to increase the area commanded by about $2\frac{1}{4}$ million acres.

In the Deccan extensive surveys for protective works have been in hand to determine the possibilities of irrigation from all the great rivers fed from the Western Ghats. Estimates for two schemes have been sanctioned and the surveys for most of the others are well advanced. The aggregate area irrigable from these works is estimated at 1,886,000 acres and the probable cost at Rs 16,52,00,000.

82. In addition to the canals actually in operation, there are altogether 42 projects which are either under construction, or awaiting sanction, or being examined by the professional advisers of Government. Of these, 15 are productive, and 24 are of the protective class. They are designed to irrigate 3.16 million acres and 3.12 million acres respectively, at a total capital cost of 14 $\frac{1}{2}$ crores and 27 $\frac{1}{2}$ crores, respectively; and the former are estimated to yield a net return of 8 $\frac{1}{2}$ per cent. on the outlay. As has been explained on former occasions, our chief difficulty lies in procuring a trained staff strong enough to cope with the work, as well as the great labour force required to execute it.

Ways and Means.

83. As stated in paragraph 53, our revenue account closes with a surplus of £571,500 which is carried forward to the second part of the statement dealing with Capital and Debt transactions, including Deposits, Remittances and Advances. Our total estimate of Capital Expenditure not chargeable to Revenue on Railways and Irrigation Major Works is £11,000,000, of which £1,000,000 is for Irrigation, £8,555,100 for State Railways, and £1,444,900 for expenditure by Railway Companies. In addition to the above, we have to find £950,400 for the discharge of permanent debt. We have also to make a net payment of £207,200 on account of loans to local bodies, advances to cultivators, etc. Our aggregate capital requirements thus amount to £12,157,600.

84. To meet this outlay we have (1) the revenue surplus of £571,500, (2) a portion, namely, £746,000 of the 3 $\frac{1}{2}$ per cent. sterling loan of £5,000,000 raised in England in January 1908 which will be received in the ensuing year, (3) the net receipts of the Post Office and other Savings Banks which are estimated at £453,500, (4) a net receipt of £523,800 under Deposits and Remittances, (5) a sum of £666,700 to be taken from the profits on rupee coinage and (6) a sum of £4,900,000 to be raised by Railway Companies. These various resources amount to £7,861,500 leaving £4,296,100 still to be provided. In order to meet this, we propose to borrow 3 crores of rupees or £2,000,000 in India and to raise £500,000 by temporary India Bills in England, the remaining £1,796,100 being met by a reduction in the cash balances. Our cash balances are expected to stand on the 31st March 1909 at £12,200,000 in India, and at £3,759,000 in England.

The announcement regarding the amounts to be borrowed in England and India is made subject to the usual reservation, and the Government of India retain full discretion to vary the programme, as now declared, to any extent that may be considered desirable.

85. The present intention of the Secretary of State is to draw bills on India to the amount of £18,500,000 but this also is subject to a similar reservation. This estimate of Council drawings is for the amount necessary to provide for the Secretary of State's requirements: but additional bills will, as usual, be sold, if needed to meet the demands of trade.

Note Circulation.

86. I append the usual statements illustrating the note circulation and the Government balances with the Presidency Banks. The first of the two statements shows separately (1) the gross circulation, and (2) the circulation, excluding the notes held by the Reserve Treasuries, and by the Presidency Banks at their head offices.

Circulation of Currency Notes.

[Lakhs of rupees.]

	1903-1904.	1904-1905.	1905-1906.	1906-1907.	1907-1908. (11 months).
GROSS CIRCULATION.					
Average	36,41	39,20	41,52	45,14	47,36
Maximum	38,21	42,52	44,66	47,30	52,74
Minimum	33,94	36,11	39,63	42,89	41,82
NET CIRCULATION.					
Average	28,70	30,69	32,83	35,92	36,61
Maximum	30,30	31,82	35,35	38,89	38,14
Minimum	27,44	29,63	31,06	33,08	35,17

Government Balances with the Presidency Banks.

[Thousands of rupees.]

	1902.	1903.	1904.	1905.	1906.	1907.	1908.
January	2,85,89	3,07,63	2,69,52	2,92,99	2,89,83	3,04,47	3,01,34
February	2,97,16	3,32,02	2,91,84	3,00,50	3,23,28	3,03,50	3,21,39
March	3,11,24	3,36,91	3,26,74	3,43,40	3,81,06	3,48,60	
December	3,05,84	2,79,07	3,01,32	2,76,70	2,97,68	3,12,84	

The Currency Building at Cawnpore was completed and the office of issue for the sub-circle comprising the territories under the Lieutenant-Governor of the United Provinces was transferred from Allahabad to Cawnpore with effect from the 1st February 1908.

Coinage and the Mints.

87. The gross outturn of rupees at the mints during each of the last five years has been as follows:—

	Lakhs.
1903-1904	16,17
1904-1905	10,88
1905-1906	19,60
1906-1907	25,37
1907-1908 (Estimate)	17,30

During the earlier months of the year the trade demand was active and the mints were kept busily employed in providing rupees to meet it. From September, however, it slackened off very rapidly and the requirements of the year as a whole have proved substantially below those of the two preceding twelve months.

88. In the last Financial Statement it was explained that the mechanical difficulties in turning out nickel coins with a scolloped edge had been overcome, and that the issue of the coin to the public would begin before long. This has been done. The first batch of the new coins was ready about the middle of July, and from the 1st August supplies were made available to the public at the larger treasuries.

These at once achieved a large measure of popularity. During August nearly $2\frac{1}{2}$ millions of them were issued to the public, and for some time the demand was greater than the Mint could supply. This has since been provided for, and to the end of February, we had issued nearly 20 millions of pieces, to the face value of $12\frac{1}{2}$ lakhs of rupees. It is estimated that our existing plant can turn out about 6 millions of pieces a month, and though it is too soon to form an opinion as to the eventual demand, we do not think it necessary at present to provide further machinery. The earlier issues were found to be somewhat brittle, but this difficulty has been overcome by the addition of a small quantity of manganese to the cupro-nickel alloy.

89. In Madras a rumour was at one time circulated that the coin had been a failure, and that it was to be withdrawn by Government. This however was promptly refuted by the Local Government, and since then we have heard of no further influences prejudicial to its popularity. On the contrary, the reports we have received indicate that its circulation is increasing in nearly every province, and there is a considerable prospect of its displacing the bronze currency in some measure, though the extent to which this is likely to happen cannot of course be predicted at present.

Exchange.

90. The average rate obtained for Council drafts during the first 11 months of the year was 1s. 4 $\frac{1}{2}$ d. which may be compared with the rates prevailing during the past ten years, as shown below:—

	s. d.
1897-1898	1 3 $\frac{1}{2}$ 02
1898-1899	1 3 $\frac{1}{2}$ 78
1899-1900	1 4 $\frac{1}{2}$ 67
1900-1901	1 3 $\frac{1}{2}$ 73
1901-1902	1 3 $\frac{1}{2}$ 87
1902-1903	1 4 $\frac{1}{2}$ 02
1903-1904	1 4 $\frac{1}{2}$ 49
1904-1905	1 4 $\frac{1}{2}$ 45
1905-1906	1 4 $\frac{1}{2}$ 42
1906-1907	1 4 $\frac{1}{2}$ 83

For some years past, there has been no occasion to say much in the Financial Statement regarding the course of exchange. During the current year, however, the steady level which had been maintained for a considerable period was temporarily affected, and though the depression was of moderate extent and brief duration, it attracted a good deal of public attention, while the action taken by Government in regard to it formed the subject of criticism in various quarters. It may be of interest therefore to note briefly what actually occurred, and to endeavour to trace its causes.

91. Up to August 1907, exchange followed what has for some years been its normal course, and was steady at a point or two over 1s. 4d., although the drawings of the Secretary of State had been exceptionally heavy during the first four months of the year. In August, however, the demand for money showed decided signs of slackening. The sales of Council bills in July had exceeded two crores of rupees, and in the ordinary course this would have been followed by a heavy run on our rupee reserves. No such run took place, and the issues from the currency reserve during August amounted to only $68\frac{1}{2}$ lakhs, as compared with $2\frac{1}{2}$ crores in August of 1906, and more than $1\frac{1}{2}$ crores in that month in each of the two preceding years. The explanation lay in the prospects of the jute trade. The crop was expected to be a good one, but prices had fallen greatly, buyers were holding off, and there was no outflow of money into the jute districts as in the previous year. The uncertainty as to the future reacted on the Secretary of State's drawings and in the first week of the month he sold only 40 lakhs of bills; there were practically no telegraphic transfers sold during the month, and exchange fell to a steady 1s. 4d.

92. In September, a fresh and more serious cause for anxiety arose. It then became apparent that the autumn rains were in marked defect over a large part of India, and particularly in the wheat-growing provinces. Exchange weakened a point, and sales of Councils amounted to only 131 lakhs during the month, as compared with 340 and 397 lakhs in the corresponding month of the two previous years. In October there was a slight improvement in jute prospects, but exchange failed to rally, and by the end of the month it was clear that the export trade in wheat would be insignificant,

and that business generally would suffer the usual consequences of a severe scarcity in Northern India.

93. Before the beginning of November therefore the conditions for a weak and stagnant exchange were fully established. The jute trade was inactive : the wheat trade was doomed ; cotton was somewhat uncertain ; and much of the Burma rice might have to be diverted to India instead of going abroad. To these conditions there was suddenly superadded an external complication as serious as it was unforeseen. On the 20th of October the Mercantile National Bank of the United States of America was announced to be in difficulties ; several big Trust companies fell in its wake ; and by the beginning of November a great financial crisis had developed in the United States. The origin and course of that crisis are not material to the present purpose. The point which concerns us is that America fell upon the world's store of gold with all the insistence of panic. Credit was temporarily paralyzed, and the gold currency rose for a time to a premium of 4 per cent. Before the panic abated, over 23 millions sterling in gold had been poured into the country ; and the result was to denude the available gold reserves of Europe in the most serious manner. The drain was most directly felt in London, and the Bank of England in self-defence raised its rate on the 4th November to 6 per cent, which was again raised to 7 per cent three days later. The gravity of the crisis is shown by the fact that London had not experienced a 7 per cent bank rate since 1873.

94. The effect on India was instantaneous, for the tightness of money combined with the slackening of our export trade destroyed for the time the market for the Secretary of State's bills. On the 6th November tenders dropped to $1-3\frac{2}{3}$ and he was able to sell only 30 lakhs. Thereafter for five weeks he practically withdrew from the market altogether ; but the scarcity of gold and the absence of exports continued, and exchange ceased to be stagnant and moved steadily downwards. On the 13th November it fell to $1-3\frac{1}{2}$, on the 18th to $1-3\frac{3}{4}$, and on the 25th to $1-3\frac{11}{16}$. This was the lowest point reached during the crisis.

95. The significance of these quotations lies of course in the fact that they are below the point—in present conditions $1-3\frac{2}{3}$ for Telegraphic transfers—at which it becomes profitable to export sovereigns from India, provided always that the latter can be obtained at par. This fact, coupled with the continued demand for gold for America, directed attention to India as a possible source of supply, and in the first half of November Government was approached from more than one quarter, to ascertain whether we should be willing to issue gold freely, *i.e.*, without limit of amount, in exchange for rupees at R15 to the £. It was of course understood that the sovereigns were wanted for export.

96. The matter was carefully considered. The theoretical arguments in favour of a liberal issue of gold as an antidote to a fall in exchange were freely admitted. But it was felt very strongly that the depression was not due exclusively to the contraction of exports. The demand for gold was made in part in the interest of our own trade ; but it was also due in great measure to the American crisis and the latter factor was clearly one that had to be seriously reckoned with. Our own interests could most effectively be protected by the stoppage of Council drawings, and this course the Secretary of State had already adopted. Moreover, our whole supply of gold was only about $3\frac{3}{4}$ millions, of which only some 2 millions was at Bombay and Calcutta, and this was already being drawn off at the rate of about £400,000 a month for internal consumption. Had we complied with the demand for issues without limit, the whole available supply might have been drawn off in a few weeks, and we should then have been forced to discontinue them, with the possible result of precipitating a panic.

For these reasons, we decided to stand by our legal rights. We are not bound to give sovereigns in exchange for rupees, except at our own convenience, and we do so primarily only to foster the internal use of gold. The Currency Offices were accordingly instructed not to issue gold in larger quantities than £10,000 to any individual on any one day.

97. Meanwhile, as stated above, the Secretary of State had virtually stopped the sale of Bills. To enable him to persevere in this course until favourable tenders should be received, he on the 25th November released one million sterling of the gold in the currency chest in London (which represents exports ready made), and further sums of one million and half a million were released on the 6th and 18th December, respectively. Lastly, a few days later, it was arranged with the approval of the

Secretary of State that, if exchange (which in the meantime had recovered) should again fall below gold export point, Telegraphic Transfers on London should be offered for sale in India at a fixed rate. No public announcement to that effect was thought necessary, but the decision was communicated to the Banks at the Presidency towns. To avoid any possible misapprehension it should be clearly explained that this contingent offer was not unlimited. On the contrary, the amount of transfers was to be limited to a defined though reasonably substantial figure, and Government reserved to itself the fullest discretion to withdraw the offer at any moment without notice. The arrangement remained in force till the last days of February, but no occasion arose for putting it into operation. At the end of that month it was modified by the Secretary of State in communication with the Exchange Banks at home, to the extent that bills on London would be offered for sale, instead of transfers, the rate being suitably modified. This arrangement still holds good, but here also no occasion has arisen for putting it into force.

98. The effect of these measures was immediate. On the 25th November when exchange was at $1\frac{3}{4}$ —the lowest point reached—the Secretary of State set free £1,000,000 of his currency gold. On the 27th, exchange rose to $1\frac{3}{4}\frac{5}{8}$, on the 29th to $1\frac{3}{4}\frac{1}{8}$, and on the 30th to $1\frac{3}{4}\frac{7}{8}$. Gold export point was passed, and during December the rate remained fairly steady at an average of $1\frac{3}{4}\frac{9}{16}$. About the middle of the month the Secretary of State began to sell Bills again, and sales gradually advanced to a weekly allotment of 80 lakhs. During February the amounts again fell off, but the rate obtained never fell below $1\frac{3}{4}\frac{9}{16}$.

99. Government has been criticized for its refusal to promise to issue gold for export without limit, and it has been alleged that such an undertaking would at once have restored public confidence, while in all probability only a small quantity of gold would actually have been taken. I cannot admit that this criticism is well founded. It has been shown above how very small the available stock of gold in India was. Had we given the promise required, and had it been put to the proof, it could not possibly have been fulfilled. That fact alone is a conclusive reason for not giving it. We could, no doubt, have undertaken to issue up to a certain limited amount. That, however, was not what was demanded of us; no assurance was forthcoming, and probably none was possible, that the actual withdrawals would in fact be limited; and it is essential to remember that the gold was wanted not merely to redress a temporary defect in the balance of Indian trade, but also directly or indirectly to supply the demand from America, which had already absorbed 23 millions sterling, and was only restrained from further inroads on the London market by reason of an abnormally high bank rate.

100. One further comment has been made to which I may very briefly allude. It has been suggested that the incidents of November last have cast doubts on the sufficiency of the Gold Standard Reserve, and on the action of Government in authorizing the employment of a portion of the future profits on coinage for capital expenditure on Railways. I do not propose to discuss this policy, the views of Government in regard to which were made public last August. What I desire to point out is that the course of events last winter is not really relevant to the adequacy or otherwise of the Gold Standard Reserve. Between us and the Gold Standard Reserve there stands the gold in the Currency reserve, and this constitutes our first line of defence. The utilization of that gold in India and England simultaneously, and in a moderate degree, proved sufficient to arrest the fall in exchange, and it never became necessary to bring the Gold Standard Reserve into play at all. We are of course aware that some sections of the commercial public unfortunately hold views differing from our own as to the adequacy of the Gold Standard Reserve; but whether we are in the right or they, I do not think that any inference of value can be drawn on the question from the course of exchange last November. If hereafter at any time circumstances should arise which make the employment of the Gold Standard Reserve justifiable and expedient the public may rest assured that there will be no hesitation about using it. But the time and the method of doing so must be determined at the discretion of the Secretary of State, by whom the Reserve is controlled.

E. N. BAKER.

March 20, 1908.

PART II

BEING A MEMORANDUM BY THE FINANCIAL SECRETARY EXAMINING THE DETAILS OF THE ACCOUNTS AND ESTIMATES.

101. *Introductory.*—The decision to exclude Local transactions from the general accounts and estimates has involved, not only the disappearance of the Local column of account, but also the absorption into the general revenues and expenditure of certain funds which were not truly of a local character. These changes will not in reality take effect until the 1st April, 1908 : the funds to be absorbed will retain their separate existence until that date, when their balances will pass into the general balances ; and the funds to be excluded will form part of the general accounts until the end of the current year. But, for purposes of the detailed explanations of the Financial Statement, it is necessary to compare like with like. With certain exceptions therefore which will be mentioned immediately, all figures of general revenue and expenditure which are entered in the Financial Statement and its appendices have been revised so as to eliminate the variations due to the exclusion of Local figures from next year. The effect is that, from 1904-1905 onwards, the figures now presented are prepared as if the excluded funds had been excluded, and the absorbed funds had been absorbed, from the 1st April 1904 instead of from the 1st April 1908. The true figures which have already been brought to account or have still to be brought to final account for the years 1904-1908 are not affected : their re-arrangement in the Financial Statement is purely statistical and for purposes of comparison ; and this should be borne in mind in collating, for example, the 1905-1906 figures in Section IV of this Part with those given in the corresponding paragraphs last year. In two places, *viz.*, in Section I (which covers the same ground as paragraphs 28-32 of Part I) and in columns 1 to 5 of the table at page 63, it has not been practicable to readjust the figures ; and in statement D of Appendix I, the balances of absorbed funds have not been passed into the Provincial balances until the beginning of 1908-1909. Everywhere else, the re-arrangement described above has been carried out.

Section I.—The Accounts of 1906-1907.

102. The Accounts of the year show a surplus of £1,589,340, which is better ^{1906-1907.} *General Result of Accounts.* by £263,240 than the surplus of £1,326,100 anticipated in the Revised Estimates framed in March last.

The variations between the figures finally entering into the Accounts and those taken in the Budget and Revised Estimates of the year are fully explained in the Appropriation Report published in the *Gazette of India* of the 14th instant.

103. The following is a general comparison of the Revised Estimates with the Accounts of the year :—

	Revised.	Accounts.	Accounts, better.	Accounts, worse.
	£	£	£	£
Total Revenue, Imperial, Provincial and Local	75,626,900	75,577,812	...	49,088
Total Expenditure, Imperial, Provincial and Local	73,687,300	73,473,676	213,624	...
Adjustment of Provincial and Local Surplus or Deficit	613,500	514,796	98,704	...
N.B.T	74,300,800	73,988,472	312,328	...
SURPLUS	1,326,100	1,589,340	263,240	...

1906-1907.
General.

104. Both the total revenue and the total expenditure were less than the estimate, the net improvement being £164,536. In the Imperial Section of the accounts, the improvement was £263,240, but the Provincial and Local Section showed a deterioration of £98,704.

1906-1907.
Differences in
Army Receipts and
Expenditure.

105. A prominent feature in the improvement in the Imperial Section was an increase (£102,269) of Army receipts coupled with a reduction (£174,255) of Army expenditure. The former was largely due to receipts from the Imperial Government, mainly on account of the extra cost of sea transport occasioned by the despatch of short service men to India during the years 1903-04 to 1906-07, but also on account of the payments due in respect of Indian regiments sent for service in the Colonies, and the value of articles in possession of regiments transferred from the Indian to the Home establishment. The decrease of Army expenditure was chiefly in the Home payments for Ordnance stores; the expenditure in India, however, was also over-estimated to the extent of £62,995.

1906-1907.
Other important
variations in
Revenue.

106. Imperial and Provincial taken together, the actual receipts turned out better than the latest estimate under Salt (£72,706), Miscellaneous (£55,205), Opium (£52,828), Customs (£44,592) and Interest (£31,050). These improvements, however, were more than counterbalanced by a decrease of £303,563 in the net receipts from State Railways, chiefly from the Eastern Bengal, East Indian, Great Indian Peninsula and Bombay, Baroda and Central India Railways. The estimate of the East Indian Railway had anticipated an improvement in coal traffic which was not realised. Working expenses in general towards the close of the year, and expenditure on renewals in particular, exceeded expectation, while sufficient allowance had apparently not been made for the effect of the Easter holidays at the end of March in postponing the adjustment of traffic receipts. As already explained in paragraph 29, the increase of Salt revenue was due to exceptionally heavy clearances following the reduction of the rate of duty with effect from the 20th March 1907; this was most marked in Northern India. The exports of Malwa opium in the last month of the year were also exceptionally high. The improvement under Customs (£44,592) was chiefly in the export duty on rice; the receipts on account of the excise duty on cotton manufactures and the imports of manufactured articles and petroleum were also better than was anticipated in March last. Under Miscellaneous, the enhancement was caused by a credit on account of the sale-proceeds of land made over to the Great Indian Peninsula Railway and the Bombay Port Trust in March 1907. The unexpected realisation in that month of arrears of interest on the Kidderpore Dock and Port Trust loans mainly accounts for the increase (£31,050) over the Revised Estimate of Interest receipts. Land Revenue as a whole fell considerably short of the Revised Estimate, chiefly in Burma and Bombay; but a large sum had to be transferred from the Provincial to the Imperial share as adjustments necessitated by the change in the method of calculating the interest on the irrigation portion of the public debt, as explained in paragraphs 17 to 23.

1906-1907.
Variations in
expenditure.

107. Apart from the decrease of Army expenditure referred to in paragraph 105, the only large differences in expenditure occur in the charges for interest on the ordinary and the railway and irrigation debt. These are the result of the change, to which reference has already been made, in the system of distributing the total charge for interest on the public debt of the country. The increase over the Revised Estimate under the head 13.—Interest amounted to £573,858. On the other hand, there were decreases of £460,115 and £142,669 in the charges for "interest on debt" under the heads 38.—State Railways and 42.—Major Irrigation Works. The estimate of Interest charges had thus as a whole been slightly excessive. There was also a small over-estimate of Forest expenditure: in Burma, the provision for the purchase of elephants was not fully utilised and difficulty was experienced in obtaining labour; while in Bombay, a contractor failed to supply timber and the provision for payments of royalty on the sale-proceeds of teak on private lands was not fully worked up to. Political expenditure on the contrary exceeded the estimate by £46,834, the drawings of His Majesty the Amir against the balance of his subsidy having been larger in March than was anticipated.

108. The reduction of £98,704 in the Provincial and Local surplus is the result of decreases of £143,089 and £44,385 in revenue and expenditure, respectively. The circumstances mentioned in paragraph 106, in connection with Land Revenue, contributed largely towards the difference of £143,089 on the Revenue side, while the altered method of calculating interest resulted in a decrease of £74,827, in the charge for "interest on debt" under the head 42.— Major Irrigation Works. This and other smaller decreases of expenditure, combined with an excess of £29,505 over the estimate for Stationery and Printing, made up the net decrease of £44,385 on the expenditure side.

*1906-1907.
Decrease in the
Provincial and
Local surplus.*

Section II.—The Revised Estimate of 1907-1908.

109. As indicated in paragraphs 14 and 101, the absorption in the 1907-1908. general revenues of certain minor funds which have hitherto been shown as Incorporated Local Funds in the estimates and accounts, and the exclusion from the Government accounts of all other local funds, have necessitated a certain rearrangement of the Budget Estimate of 1907-1908; there is consequently a slight alteration (£100) in the surplus of £774,700 announced in March last. The Revised Estimate of 1907-1908 has been prepared on the same basis. A general comparison of the two estimates is made in the following table:—

	Budget.	Revised.	Revised better.	Revised worse.
	£	£	£	£
Total Revenue . . .	72,500,000	70,989,200	...	1,510,800
Total Expenditure . . .	72,243,300	71,780,800	462,500	...
Adjustment of Provincial Surplus or Deficit . . .	—517,900	—1,027,000	509,100	...
NET . . .	71,725,400	70,753,800	971,600	...
SURPLUS . . .	774,600	235,400	...	539,200

110. It is now anticipated that the total revenue will be less than the total 1907-1908. expenditure by £791,600, but as the excess of expenditure over revenue in the Provincial section alone is £1,027,000, there is an Imperial surplus of £235,400. The falling-off of £539,200 as compared with the surplus of the Budget is the net result of decreases of £1,270,300 and £731,100 in Imperial revenue and expenditure, respectively. Under Provincial, there is a decrease of £240,500 in revenue and an increase of £268,600 in expenditure. The Local Governments will thus draw from their Provincial balances £509,100 more than was anticipated in the Budget. As a whole, therefore, the Revised Estimate shows a deterioration of £1,048,300.

1907-1908.
Variations in
Revenue.

111. The more important of the variations resulting in the large decrease of revenue are the following:—

HEADS.	Budget, 1907-1908.	Revised, 1907-1908.	INCREASE + DECREASE—	
<i>Increases—</i>		Lakhs.	Lakhs.	£
Opium	7,27'66	7,83'43	+ 55'77	+ 371,800
Customs	6,89'33	7,44'60	+ 55'27	+ 368,500
Mint	36'79	65'70	+ 28'91	+ 192,700
Stamps	6,25'14	6,35'30	+ 10'16	+ 67,700
Minor Irrigation Works	25'49	35'23	+ 9'74	+ 64,900
Assessed Taxes	2,14'93	2,22'32	+ 7'39	+ 49,200
Salt	4,93'50	5,00'53	+ 7'03	+ 46,900
Other heads (Net)	23,62'22	23,66'85	+ 4'63	+ 30,900
<i>Decreases—</i>				
Land Revenue (including share due to Irrigation)	31,88'68	29,33'53	- 2,55'15	- 1,701,000
Net receipts from Railways	20,48'22	19,39'41	- 1,08'81	- 725,400
Forest	2,83'47	2,61'26	- 22'21	- 148,100
Exchange	20'00	9'00	- 11'00	- 73,300
Army Receipts	1,59'57	1,51'22	- 8'35	- 55,600
TOTAL	1,08,75'00	1,06,48'38	- 2,26'62	- 1,510,800

1907-1908.
Land Revenue.

112. The main feature of the Revised Estimate is the very great decrease of Land Revenue, which reflects the unsatisfactory character of the autumn monsoon of 1907. In the United Provinces alone, the collections of Land Revenue are less than the Budget by 141'14 lakhs; and in Bombay and the Punjab there are decreases of 49'13 and 20'96 lakhs, respectively, although in the former province there were unexpectedly large collections of outstandings in the first half of the year. The decline in the Central Provinces and Bengal is less (12'87 and 4'83 lakhs, respectively), but in Burma it is 30'08 lakhs; the bulk of this is due to the failure of the crops in several of the Upper Burma districts, but 8'8 lakhs represent a transfer to Irrigation revenue of the irrigation share of the consolidated land revenue rate in Upper Burma which has hitherto been credited to Land Revenue and taken as an indirect receipt in the administrative accounts of irrigation works. Only in Eastern Bengal and Assam and the North-West Frontier Province do the estimates show small improvements (3'65 and 2'32 lakhs); these, however, are partly counterbalanced by a falling-off of 2'11 lakhs in Madras and the minor Provinces. It will be understood that these figures include the share of land revenue due to irrigation.

Of the total decrease of Land Revenue, 215'46 lakhs are in the Imperial share, and 39'69 lakhs in the share accruing to Provincial. Both these figures include certain special assignments to Local Governments which are adjusted by deduction from the Imperial and addition to the Provincial shares. The more important of these are assignments of 32'72 lakhs to the United Provinces to raise the closing Provincial balance in the Revised Estimate to the prescribed minimum, and 9'25 lakhs to Bombay to make up the minimum amount of Land Revenue guaranteed under the Provincial Settlement. There are also assignments of 5'75 lakhs to the Punjab and 1'12 lakhs to the Central Provinces, in respect of similar guarantees for Irrigation and Land Revenue, respectively; 5 lakhs for tank restoration works in Madras; and 10 lakhs to Burma, on account of the first instalment of the Imperial contribution towards the cost of the Rangoon river training scheme. On the other hand, there are new recurring assignments from Provincial to Imperial aggregating 12'09 lakhs in connection with the new system of calculating interest on the Irrigation debt (*vide* paragraphs 17 to 23).

1907-1908.
Customs, Opium
and Mint receipts.

113. The variations in the receipts from Railways, Customs, Opium and Mint affect only the Imperial surplus. Railways will be dealt with in the next paragraph. Of the increase in Opium receipts, 45'3 lakhs are in the sales of Bengal opium, an average price of R1,350 per chest having been realised as

against Rs 1,250 per chest taken in the Budget. The exports of Malwa opium are also expected to result in an increase (10.25 lakhs) over the Budget Estimate of pass-fees. The improvement under Customs is remarkable, the increase over the receipts of 1906-1907 being no less than 91.85 lakhs, of which only 36.58 lakhs were anticipated in the Budget. The betterness of 55.27 lakhs is distributed over most of the tariff heads, chiefly cotton manufactures (15.5 lakhs), manufactured articles (14 lakhs), silver (13.5 lakhs), metals other than silver (9.5 lakhs), petroleum (8.5 lakhs), articles of food and drink (4.1 lakhs), and excise duty on cotton goods (3.5 lakhs). Only under export duty and sugar, and to a small extent under spirits, were the receipts over-estimated. In the first case, the decrease of 15 lakhs is one of the consequences of famine, as large quantities of rice which ordinarily would have been consigned abroad have been diverted to Indian ports, where no duty is paid. The comparatively high Mint receipts are due to the unexpectedly heavy demand for bronze coin and for the new nickel one-anna coin. The profit on the mintage of these is now estimated at 34 lakhs as against 10 lakhs budgeted for. The renewal of dollar coinage and the heavy output of rupees in the earlier part of the year have also contributed towards the large improvement.

114. Next to Land Revenue, the net receipts from Railways show the largest decline (1,08.81 lakhs). This is due not to an over-estimate of the gross receipts, but to a growth of working expenses which has largely exceeded the corresponding growth of earnings. Under State Railways, the latter amounts to 1,01.7 lakhs, of which 35.9 lakhs represent the receipts of the Madras Railway since its purchase from the Company on the 1st January 1908. The gross increase of working expenses is, however, 1.79 lakhs, of which 1.8 lakhs is due to the acquisition of the Madras Railway. The decrease in the net traffic receipts of other State Railways is therefore 95.2 lakhs, and this is largely due to heavy expenditure on renewals and repairs, chiefly on the East Indian, Great Indian Peninsula, Rajputana-Malwa, Oudh and Rohilkhand and Eastern Bengal Railways.

The purchase of the Madras Railway with effect from the 1st January 1908 causes a decrease of 27.71 lakhs in the net traffic receipts of Guaranteed Companies. The corresponding increase under State Railways is 17.9 lakhs. The difference of 9.81 lakhs is due to the settlement of outstanding liabilities on the closing of the accounts of the guaranteed line.

115. The Salt revenue shows satisfactory results, the reduction in the rate of duty announced in March last having largely increased consumption. The increase over the Budget would have been greater than 7.03 lakhs but for the fact that the clearances of salt between the 20th and the 31st March 1907 were exceptionally heavy; dealers had been deferring issues for some time in anticipation of a possible reduction in duty. The receipts under Stamps have increased in most of the Provinces. Only in Bengal (4.5 lakhs), the United Provinces, and Eastern Bengal and Assam (3.5 lakhs each) have the increases been at all considerable. In Bombay and Burma, there are decreases of 1 and 4 lakhs; but the Stamp revenue, as a whole, shows steady progress. The increase under Minor Irrigation Works is chiefly due to a change in the method of accounting for the irrigation share (8.8 lakhs) of the consolidated land revenue rate in Upper Burma; *vide* paragraph 112. The improvement under Assessed Taxes is chiefly in Bombay (4.52 lakhs), where it is largely due to the continued development of the cotton trade.

116. Under Forest, there is a decrease of revenue in all the large provinces, except Madras and Bombay, where improvements of 4.5 and 4 lakhs, respectively, are expected. The decrease is largest in Burma (18 lakhs), where departmental timber operations have been curtailed. The Budget Estimate as usual provided for a moderate receipt under Exchange (20 lakhs), but the actual gain is not likely to exceed 9 lakhs this year. Of this, 6.01 lakhs represents the difference of exchange in connection with the transactions of the late Madras Railway Company. The gain on the Secretary of State's drawings is small, as the rate obtained for Bills on India has fallen considerably during the year, and averages now only a very small fraction over 16d. per rupee. Under Army, the decrease is chiefly in the receipts for malt liquor, consequent on the troops making their own arrangements for the supply of

*1907-1908.
Variations in
expenditure.*

beer from the 1st of January 1908; it is balanced by a corresponding decrease in expenditure, as explained in Appendix II.

117. The important variations in expenditure are the following:—

HEADS.	Budget, 1907-1908.	Revised, 1907-1908.	Increase + Decrease—	
	Lakhs.	Lakhs.	Lakhs.	£
<i>Increases—</i>				
Net charge for Interest on Ordinary Debt . . .	84.43	1,94.66	+ 1,10.23	+ 734,800
Famine Relief . . .	9.01	77.39	+ 68.38	+ 455,900
Civil Works . . .	6,84.39	7,01.73	+ 17.34	+ 115,600
Stationery and Printing . .	96.67	1,09.31	+ 12.64	+ 84,200
Major Irrigation Works— Working Expenses . .	1,39.82	1,47.74	+ 7.92	+ 52,800
Courts of Law . . .	3,79.47	3,86.88	+ 7.41	+ 49,400
General Administration . .	2,37.20	2,43.36	+ 6.16	+ 41,100
Jails	1,23.96	1,29.34	+ 5.38	+ 35,900
Other heads (net) . . .	38,80.40	38,88.90	+ 8.50	+ 56,600
<i>Decreases—</i>				
Army	29,02.64	28,13.19	- 89.45	- 596,300
State Railways—Interest on Debt	8,57.61	7,89.32	- 68.29	- 455,300
Reduction or Avoidance of Debt	70.61	37.50	- 33.11	- 220,700
Opium	2,70.71	2,49.48	- 21.23	- 141,600
Major Irrigation Works— Interest on Debt . .	1,68.44	1,48.14	- 20.30	- 135,300
Military Works . . .	1,88.87	1,70.13	- 18.74	- 124,900
Political	1,40.20	1,22.24	- 17.96	- 119,700
Minor Irrigation Works and Navigation	1,44.86	1,29.13	- 15.73	- 104,800
Forest	1,60.63	1,47.84	- 12.79	- 85,300
Construction of Protective Irrigation Works . .	70.00	61.12	- 8.88	- 59,200
State Railways—Interest on Capital deposited by Companies	2,26.57	2,19.72	- 6.85	- 45,700
TOTAL . .	1,08,36.49	+ 1,07,67.12	- 69.37	- 462,500

*1907-1908.
Increases of
expenditure.
Interest charges.*

118. The charges for Interest on the public debt as a whole are in excess of the Budget by 22.36 lakhs. The payments in India show a small decrease; but the sterling loans were issued at a discount and at $3\frac{1}{2}$ per cent, instead of 3 per cent which has been customary in recent years; a temporary loan of £1,000,000 was also raised in England. The differences appearing against interest on ordinary, railway and irrigation debt, respectively, in the foregoing table, are mainly adjustments, due to the change in the method of calculating the charges which is fully described in paragraphs 17 to 23 of Part I. The effect of this important reform is a large reduction in the disproportionate burden of interest which has hitherto fallen on Railways and Productive Irrigation Works.

119. The estimate of Famine Relief expenditure is 77.39 lakhs. The distribution by Provinces and the comparison with the Budget is as follows :—

*1907-1908.
Famine Relief
and Insurance.*

	Budget Estimate.	Revised Estimate.	Increase (+) Decrease (-).
	Lakhs.	Lakhs.	Lakhs.
India (chiefly Ajmer)	0.61	0.42	-0.19
Central Provinces and Berar . . . . .	...	2.50	+2.50
Eastern Bengal and Assam . . . . .	...	0.01	+0.01
Bengal	8.00	6.12	-1.88
United Provinces . . . . .	...	67.50	+67.50
Punjab . . . . .	...	0.50	+0.50
Bombay	0.40	0.34	-0.06
TOTAL	9.01	77.39	+68.38

In accordance with the new arrangements for the distribution of Famine Relief expenditure between Imperial and Provincial Revenues, described in paragraphs 48 to 56 of the Financial Statement for 1907-08, 54.88 lakhs of the total charge of 77.39 lakhs has fallen upon Imperial. The Budget however contained a provision of 33.11 lakhs under the head "Reduction or Avoidance of Debt" (Imperial) and this has been diverted to meet a portion of the Imperial charge under the head Famine Relief, thus causing a corresponding reduction under the former head. Owing to the Imperial Government undertaking the cost of famine relief up to a fixed limit, it is only in the United Provinces that any material portion of the direct expenditure on relief measures has fallen upon Provincial Revenues: the provision on this account in the Revised Estimate is 22.51 lakhs. It has not been found possible to spend the full Budget grant for the construction of Protective Irrigation Works; and there will be a lapse of 8.88 lakhs.

120. The whole increase in Civil Works expenditure is in the Provincial section and 9.92 lakhs occurs in the Central Provinces and Berar; this is chiefly due to the programme of useful public works having been developed during the course of the year to provide employment for labour in famine tracts, in preference to special measures of relief. There have also been increases in Burma, Bombay and Eastern Bengal and Assam, but these are largely counterbalanced by reductions in the United Provinces, Punjab and Madras. The increase under Stationery and Printing is distributed over most of the Provinces, but the fluctuations individually are of no great importance. The increase in the working expenses of Major Irrigation Works is chiefly in the Punjab, where important works and repairs for which the Budget did not provide had to be undertaken on the Western Jumna, Upper Bari Doab, Sirhind, and Lower Chenab canals; there was also unforeseen expenditure on special repairs to canals in Bengal, and a transfer of certain canals from the Minor Works category to Major Works.

*Civil Works,
Stationery and
Printing, and
Major Irrigation
Works.*

121. Under Courts of Law, scarcity has led to specially high payments as allowances for dearness of grain; in the Punjab, Bengal and Eastern Bengal, the payments to law officers for the conduct of criminal suits have also been above the average, while in Burma an increase has resulted from the re-organisation of the provincial and judicial service, and the transfer to this head of charges for the service of processes which have hitherto been taken under "3.—Land Revenue." The Jail charges have been raised by the enhanced cost of dietary, due to the high price of food grains in most provinces.

*1907-1908.
Decreases of
Expenditure.
Military Services.*

122. Of the large decrease in Army expenditure, 51.05 lakhs is in "special" expenditure and 38.4 lakhs is in ordinary expenditure. These variations, as also that under Military Works, are explained in Appendix II. The Revised Estimate of Army expenditure includes 7.5 lakhs for the Bazar Valley Field Force.

123. The decrease in Opium expenditure results from the contraction of the poppy-growing area in Bengal, while the saving in Political expenditure is due to the drawings of His Majesty the Amir, against the balance of his subsidy, having been much smaller than was expected. The transfer of certain canals to the Major Works category accounts for part of the decrease under Minor Irrigation Works; the bulk of it, however, is due to inability to utilise fully the

*1907-1908.
Opium, Political,
Minor Works,
Forest, etc.*

Budget grant. The decline in Forest expenditure is less than the corresponding decrease of revenue and, like the latter, occurs chiefly in Burma; it is due to the curtailment of departmental timber operations and to the provision for the purchase of elephants and a launch not having been fully utilised. The reduction in the charges for Interest on Capital deposited by Railway Companies is a consequence of the stringency in the English money market, which has led to the raising of less capital by Railway Companies than the Budget anticipated.

1907-1908.
Imperial and Provincial figures. 124. The figures of the Budget and Revised Estimates are shown in the following table so as to compare the Imperial and Provincial results separately:—

	IMPERIAL.		PROVINCIAL.		TOTAL.	
	Budget, 1907-1908.	Revised, 1907-1908.	Budget, 1907-1908.	Revised, 1907-1908.	Budget, 1907-1908.	Revised, 1907-1908.
	Lakhs.	Lakhs.	Lakhs.	Lakhs.	£	£
Revenue	75,80·66	73,90·11	32,94·34	32,58·27	72,500,000	70,989,200
Expenditure	74,64·47	73,54·80	33,72·03	34,12·33	72,243,300	71,780,800
Excess (+) or deficit (-) of revenue as com- pared with ex- penditure	+1,16·19	+35·31	-77·69	-1,54·06	+256,700	-791,600
	£	£	£	£		
	+774,600	+235,400	-517,900	-1,027,000		

1907-1908.
*Variations in
Provincial
Revenue.*

125. All the important variations which have contributed to the net deterioration of 80·88 lakhs under Imperial have been explained in the preceding paragraphs. Under Provincial, the decrease of 36·07 lakhs in revenue occurs chiefly under the following heads:—

	Lakhs.
<i>Increases—</i>	
Land Revenue due to Irrigation	20·97
Minor Irrigation Works	16·00
Stamps	4·67
Receipts in aid of Superannuation	3·85
Assessed Taxes	3·05
	<u>42·54</u>
<i>Decreases—</i>	
Land Revenue	60·66
Forest	10·49
Miscellaneous	5·29
Other heads (net.)	2·17
	<u>78·61</u>

The net decrease in the Provincial share of Land Revenue (39·69 lakhs) has been explained in paragraph 112. The distribution of the net figure into a decrease of 60·66 lakhs and an increase of 20·97 lakhs, as shown in the foregoing table, is purely an account matter. In Bombay and the Punjab, it was formerly the practice to divide the gross land revenue collections between Imperial and Provincial, before deducting from them the portion of Land Revenue due to Irrigation. The deduction on the latter account was then made from the Imperial share of Land Revenue and credited as an Irrigation receipt (Imperial). It has now been decided to deduct the revenue due to irrigation and transfer it to the shared head "Major Works" before allocating the rest of the Land Revenue receipts between Imperial and Provincial. The net effect on Imperial and Provincial balances is *nil*; and the distribution of the receipts from Land Revenue due to Irrigation now follows that of the parent Irrigation head.

126. The differences under Stamps, Assessed Taxes, Forest and Minor Irrigation Works have been explained in paragraphs 115 and 116. The increase in Superannuation Receipts is caused by a special credit of 3.53 lakhs in Bengal, representing the sale proceeds of debentures belonging to the Calcutta Police Superannuation Fund which has been abolished. Under Miscellaneous, the main cause of the decrease of 5.29 lakhs is the remission, with effect from 1907-1908, of fees which have hitherto been recovered from Municipalities and certain other local bodies for the audit of their accounts; there is also a decrease in the sums accruing to Government on account of deposits which have remained unclaimed for years.

127. The increase of 40.3 lakhs in Provincial expenditure is the result of the following variations:—

Increases—

	Lakhs.	Variations in Provincial Expenditure.
Famine Relief	22.51	
Civil Works	17.38	
Courts	7.46	
Jails	5.29	
Major Irrigation Works—Working Expenses	5.25	
Interest on Ordinary Debt	4.29	
Stationery and Printing	4.38	
General Administration	3.72	
	<u>70.28</u>	

Decreases—

Major Irrigation Works—Interest on Debt	11.61
Minor Irrigation Works	5.17
Forest	5.82
Land Revenue	4.17
Other heads (net)	<u>3.21</u>
	<u>20.98</u>

128. The increase in the Provincial charge for Interest is chiefly in the United Provinces (3.35 lakhs), agricultural conditions having necessitated the issue of exceptionally heavy takavi advances, upon which the Local Government has to pay interest to Imperial revenues. Under General Administration, the increase is distributed over all the provinces and is nowhere considerable; it is partly due to the remission, with effect from 1907-1908, of fees which have hitherto been recovered for the audit of District Boards' accounts and taken in reduction of Provincial expenditure under this head. The decrease of expenditure under the head Land Revenue is partly in Madras, where the provision of a lakh for the constitution of additional districts has not been utilised and savings have occurred on similar provisions for revision of establishments; there are also general savings in Bombay and Burma, which are partly counterbalanced by increased grain compensation and other charges in the United Provinces and elsewhere. Most of the remaining variations have already been explained in paragraphs 118 to 121 and 123.

Section III.—The Budget Estimate of 1908-1909.

129. The following is a general comparison of the Budget Estimate of 1908-1909 with the Revised Estimate of 1907-1908.

Statement of gross
figures.

	Revised 1907-1908.	Budget 1908-1909.	1908-1909 better than 1907-1908.	1908-1909 worse than 1907-1908.
	£	£	£	£
Total Revenue	70,989,200	73,438,900	2,449,700	...
Total Expenditure	71,780,800	73,392,500	...	1,611,700
Adjustment of Provincial Surplus (+) or Deficit (—).	—1,027,000	—525,100	...	501,900
Total Expenditure charged to Revenue.	70,753,800	72,867,400	...	2,113,600
Surplus	235,400	571,500	336,100	...

The figures this year present no outstanding features of special importance. Until the next harvest is assured, scarcity must unfortunately continue in the greater part of the United Provinces, in large tracts of Bombay, the Central Provinces and the Punjab, and in certain districts in other provinces. Expenditure on famine relief, both direct and indirect, must consequently be high; and there will be heavy remissions and suspensions of land revenue, as well as losses under the other heads of receipts which are affected by scarcity. No provision has thus been made for any reduction of taxation; and the grants to Local Governments in aid of administrative developments which have been a prominent feature of recent budgets have had to be kept within the most moderate dimensions. The estimates have been framed generally on the assumption that normal agricultural conditions will be restored with the next monsoon; and they anticipate a small surplus of only 85.72 lakhs (₹571,500).

1908-1909.
Assignments for
Police expenditure
and Sanitation.

130. The Budget Estimate provides for special assignments to Local Governments for further Police reform and for Sanitation of 12 and 30 lakhs (₹80,000 and ₹200,000), respectively. The distribution by Provinces is as follows:—

	For Police reform.	For Sanitation.
	Lakhs.	Lakhs.
Madras	...	3.50
Bombay	4.25	4.50
Bengal	4.00	4.50
United Provinces	...	5.00
Punjab	...	4.00
Burma	...	3.00
Eastern Bengal and Assam	1.25	3.00
Central Provinces and Berar	1.50	2.00
North-West Frontier Province	...	0.50
Minor Administrations	1.00	...
TOTAL	12.00	30.00

No portion of the additional grant for Police reform is allotted to Madras, the United Provinces, or Burma, as full provision on this account was made on the occasion of the last revision of the settlements of these Provinces: and no grant is being made to the Punjab as it has already received subsidies which cover the cost of all reforms that are likely to be carried into effect before the end of the year.

1908-1909.
General.

131. In the Budget of 1908-1909, the total revenue and the total expenditure give a surplus of ₹46,400, and as the excess of expenditure over revenue in the Provincial section alone is ₹525,100, there is an Imperial surplus of ₹571,500. The improvement of ₹336,100 as compared with the surplus of the Revised Estimate is the net result of increases of ₹612,000 and ₹275,900 in Imperial revenue and expenditure, respectively. Under Provincial, there are increases of ₹1,837,700 in revenue and ₹1,335,800 in expenditure. The Local Governments will thus draw from their Provincial balances ₹501,900 less than in 1907-1908. On the whole, therefore, Imperial and Provincial figures being amalgamated, the Budget shows an improvement of ₹838,000 as compared with the Revised Estimate.

This is very largely the result of the decided improvement of 221.49 lakhs (₹1,476,700) which is expected in the collections of Land Revenue. The net Railway receipts show an increase of 120.01 lakhs (₹800,100); and there are enhancements of 29.19 lakhs (₹194,600) and 22.62 lakhs (₹150,800) in the receipts from Excise and Irrigation, respectively. The expenditure on Civil Works is anticipated to be less by 33.70 lakhs (₹224,700) than is provided for in the current year's Revised Estimate; and there is a reduction of 26.34 lakhs (₹175,600) in Opium expenditure.

132. Against these improvements, provision has had to be made for a decline of 57 lakhs (₹380,000) in the Opium revenue. The Army receipts have fallen off by 19.04 lakhs (₹127,000); and the Army expenditure has risen by 32.69 lakhs (₹217,900). Famine Relief is responsible for an increased charge of 54.68 lakhs (₹364,500). There is a drop in the Mint revenue

of 24.88 lakhs (₹ 165,900), and the Interest on the public debt has risen by 35.08 lakhs (₹ 233,900). Among other anticipated increases of expenditure, the chief are under the heads Police (₹ 301,100), Medical (₹ 280,000) and Education (₹ 183,200). It should also be noted that, under the terms of the new financial settlement with the United Provinces, a transfer of Imperial revenue, which is estimated at about 16½ lakhs net, has been made to the provincial account; this of course does not affect the gross figures.

133. The following table shows the more important heads of Revenue and ^{1908-1909.} compares for each of them the Budget figures of next year with the latest esti- ^{Main heads of} _{Revenue.}

HEADS OF REVENUE.	Revised, 1907-1908.		Budget, 1908-1909.		Budget, 1908-1909, more or less than Revised, 1907-1908.	
	Lakhs.	₹	Lakhs.	₹	Lakhs.	₹
Land Revenue (including share due to Irrigation) . .	29,33.53	19,556,800	31,55.02	21,033,500	+ 2,21.49	+ 1,476,700
Railways—Net receipts . .	19,39.41	12,929,400	20,59.42	13,729,500	+ 1,20.01	+ 800,100
Excise . .	9,29.67	6,197,800	9,58.86	6,392,400	+ 29.19	+ 194,600
Opium . .	7,83.43	5,222,900	7,26.43	4,842,900	- 57.00	- 380,000
Customs . .	7,44.60	4,964,000	7,50.05	5,000,300	+ 5.45	+ 36,300
Stamps . .	6,35.30	4,235,300	6,54.25	4,361,700	+ 18.95	+ 126,400
Salt . .	5,00.53	3,336,900	5,10.33	3,402,200	+ 9.80	+ 65,300
Irrigation . .	3,62.43	2,416,200	3,85.05	2,567,000	+ 22.62	+ 150,800
Post Office . .	2,75.03	1,833,500	2,86.81	1,912,100	+ 11.78	+ 78,600
Forest . .	2,61.26	1,741,700	2,76.81	1,845,400	+ 15.55	+ 103,700
Assessed Taxes . .	2,22.32	1,482,100	2,28.16	1,521,000	+ 5.84	+ 38,900
Telegraph . .	1,50.61	1,004,100	1,55.68	1,037,900	+ 5.07	+ 33,800
Interest . .	1,47.12	980,800	1,52.18	1,014,600	+ 5.06	+ 33,800
Army . .	1,51.22	1,008,200	1,32.18	881,200	- 19.04	- 127,000
Tributes . .	83.79	558,600	92.65	617,700	+ 8.86	+ 59,100
Mint . .	65.70	438,000	40.82	272,100	- 24.88	- 165,900
Other heads . .	4,62.43	3,082,900	4,51.13	3,007,400	- 11.30	- 75,500
TOTAL . .	106,48.38	70,989,200	110,15.83	73,438,900	+ 3,67.45	+ 2,449,700

134. Based, as they are, on the expectation of the return of normal conditions, ^{1908-1909.} the estimates of Land Revenue show an increase in most of the Provinces. In the ^{Land Revenue.} United Provinces, Bombay and Burma where the failure of crops has necessitated specially large remissions and suspensions this year, the increases are taken at 1,15.17, 64.96 and 29 lakhs, respectively; in Bengal it is 5 lakhs, and less elsewhere. Only in the North-West Frontier Province is there a small decline (1.25 lakhs), due to the necessity for granting remissions and suspensions of revenue in four districts.

135. One of the main features of the Railway estimates of 1908-1909 is the ^{1908-1909.} absence of any entries, either on the receipt or expenditure side, against ^{Railways.} "Guaranteed Companies." This is a consequence of the purchase, with effect from the 1st January 1908, of the Madras Railway, the last of the old "Guaranteed lines"—a category which once included the Bombay, Baroda and Central India, the Great Indian Peninsula, the South Indian and other important railway systems that have now been acquired by the State. The acquisition of the Madras Railway in the last quarter of the current year has occasioned increases of 1,26.8 and 91 lakhs in the Budget Estimate of gross receipts and working expenses, respectively, of State Railways for 1908-1909.

Apart from these exceptional transactions and the large differences which they occasion in the estimates of the Railways which will work the newly purchased line, the only important variations in the gross receipts and working expenses of State Railways, between the Revised Estimate of 1907-1908 and the Budget of next year, are the following:—

INCREASE + DECREASE —

	Gross Receipts.	Working Expenses.	Net Receipts.
	Lakhs.	Lakhs.	Lakhs.
Eastern Bengal Railway . .	+ 15'00	- 8'00	+ 23'00
Bengal Nagpur Railway . .	+ 30'00	+ 11'00	+ 19'00
Rajputana-Malwa Railway . .	+ 20'00	+ 3'00	+ 17'00
East Indian Railway . .	+ 25'00	+ 12'50	+ 12'50
Oudh and Rohilkhand Rail- way . . . .	...	- 7'00	+ 7'00
North Western Railway . .	...	- 10'00	+ 10'00
Bombay, Baroda and Central India Railway . . .	+ 9'91	...	+ 9'91
Kalka-Simla Railway . .	- 9'50	- 5'50	- 4'00
Great Indian Peninsula Rail- way	+ 7'00	- 8'60	+ 15'60
Southern Mahratta Railway .	+ 7'04	+ 4'12	+ 2'92
Mayavaram-Mutupet Railway .	- 6'40	- 3'55	- 2'85
South Indian Railway . .	+ 7'18	+ 11'62	- 4'44
Nilgiri Railway and Azikhal Mangalore Railway . .	- 4'85	- 3'85	- 1'00

136. With effect from the 1st April 1908, the transactions of the Kalka-Simla Railway will be incorporated in the accounts of the North Western Railway, while those of the Nilgiri and Azikhal-Mangalore Railways have been included in the accounts of the South Indian Railway since the 1st January 1908. Apart from these disturbing factors, and the differences in the estimates occasioned by the transfer of the Katpadi-Dharmavaram-Pakala-Gudur section of the South Indian Railway to the Southern Mahratta Railway in January 1908, the several increases shown above represent the general development of traffic and its attendant expenses which may reasonably be expected next year. In the case of the Bengal-Nagpur Railway, the recent opening of the Purulia-Ranchi branch and the fact that portions of the Gondia-Chanda and Vizianagram-Raipur Railways will also be opened to traffic account for part of the increase. The decrease of working expenses on the Oudh and Rohilkhand Railway follows on specially large expenditure for renewals in the current year. The scarcity in Gujarat is expected to augment the receipts of the Bombay, Baroda and Central India Railway, but working expenses are likely to be no higher than in 1907-1908. The decreases shown against the Mayavaram-Mutupet Railway are formal, being due to the exclusion from the Government accounts of the transactions of Local Funds, to which reference has already been made in paragraphs 9 to 15.

1908-1909.
Excise and Stamps
Revenue.

137. The growth of the Excise receipts has been taken with moderation, allowance having been made for the effects of the prevailing scarcity on this important source of revenue. The total increase of 29'19 lakhs is distributed over all the Provinces, but nowhere except in the Central Provinces does it exceed 5 lakhs. Increases of that amount are expected in Bengal and Madras, of 4'5 lakhs in Bombay, 3'58 lakhs in the Punjab, and 3 lakhs in Eastern Bengal and Assam. The expansion of Stamp receipts is largest in Bengal (6 lakhs) and Madras (5'4 lakhs). In Eastern Bengal and Assam and in Burma it is taken at 4 and 3 lakhs, respectively, and less elsewhere. A decline of a lakh is expected in the Central Provinces, while in the Punjab it is assumed that the receipts will be stationary.

1908-1909.
Opium Revenue.

138. The decrease of Opium revenue is a direct consequence of the policy of restricting exports to China. The Budget has been framed on the assumption that the total exports in 1908-1909 will not exceed 61,000 chests and that of

these 45,900 will be of Bengal opium and 15,100 of the Malwa drug. The duty on the latter is fixed at Rs 600 per chest, but the prices of Bengal opium vary at the monthly sales, and an average rate of Rs 1,300 per chest has been adopted for the purposes of the Budget. This is Rs 73 less than the price realised at the last sale; but in view of the fact that the average sale price has declined from Rs 1,587 and Rs 1,434 in 1904-1905 and 1905-1906, respectively, to Rs 1,391 and Rs 1,350 in the last two years, it has not been thought advisable to budget for a higher average than Rs 1,300 next year.

139. Under both Salt and Customs the increases of revenue are specially ^{1908-1909.} *Salt and Customs Revenue.* low, but this is not so much the result of the prevailing distress, as of the special conditions which have contributed to the receipts obtained under both these heads in the current year. In Madras, the Salt revenue was swelled by 19.7 lakhs owing to the recovery of duty at the rate of Rs 1.8 per maund on credit sales of the year 1906-1907 which were made prior to the 20th March 1907. But for this disturbing factor, the increase of Salt revenue in the Budget would have been 29.5 lakhs, corresponding to an anticipated increase in consumption of approximately 2.9 million maunds. The rise under this head of revenue, under the stimulus of the recent reduction in duty, would have been much higher had it not been for the presence of famine in the land. Under Customs, the comparative smallness of the total increase is due to the unprecedented growth of the import duties this year which has already been noticed in paragraph 113. This growth has been so large, that it has been considered expedient to budget for a small decrease (0.55 lakh) next year, in view of the heavy accumulation of stocks and the probable slackening of imports. Nor has any material increase of the export dues on rice been feasible: in all recent famines of any intensity, the diversion of rice from the export trade to the markets in the distressed tracts has been considerable, and this will no doubt be again the case in 1908-1909. On the other hand, a moderate increase (3.5 lakhs) in the excise duty on cotton goods and the miscellaneous receipts of the Customs Department is anticipated.

140. Practically the whole increase of Irrigation revenue is in the Punjab. ^{1908-1909.} *Irrigation Revenue.* The failure of the wheat crop necessitated large special remissions on the Lower Chenab and Lower Jhelum canals this year; the Budget provides for no such loss in 1908-1909, while it takes account of a development of irrigation which is expected on the Lower Jhelum canal.

141. The Post Office Budget provides for normal growth of the receipts—^{1908-1909.} *Other important increases of Revenue: Post Office, Forests, Assessed Taxes, Interest and Tributes.* chiefly from the sale of postage stamps and money order commission. The revision of postal rates to which reference was made in paragraphs 38 and 157 of the last Financial Statement was given effect to from the 1st October 1907, but the loss of revenue has been less than was anticipated owing to an increase in the volume of business. The estimate of Forest revenue presents no special features; the growth of the receipts taken is not specially large and 9 lakhs of it is in Burma; the balance (6.55 lakhs) is distributed over all the Provinces, save the Punjab and the North-West Frontier Province which anticipate a slight decline. In the Punjab, this is due to the restoration to the Chamba State of the management of its forests. Under Assessed Taxes also the increase is general, the greatest rise in any one province being 1.5 lakhs in Bengal. The enhancement of Interest receipts is exceptional, being the result of the heavy issues of takavi loans in famine stricken areas. The total increase in India is 13.63 lakhs, of which 11.42 lakhs is in the United Provinces. This, however, is partly counterbalanced by a decrease of 8.57 lakhs in Interest receipts in England: it is not expected that so large a portion of the Secretary of State's cash balance will be available for temporary investment as has been the case in the current year. The variation under Tributes is the result of irregularity in payments of the fixed demands: the collections this year were about 6 lakhs short of the Budget.

142. Apart from Opium, the largest decrease of revenue is in Mint receipts; ^{1908-1909.} *Important decreases of Revenue: Mint, and Army receipts.* it is due to the expectation that the coinage of new rupees will be much smaller than in the current year, and that the profit on the circulation of nickel and bronze coin will also be somewhat less. The large decline under Army is chiefly in the receipts for malt liquor, consequent on the troops making their own arrangements for such supplies; there is a corresponding decrease in expenditure.

1908-1909.
Exchange and
Miscellaneous.

1908-1909.
Variations in
expenditure.

143. Two heads of receipt which do not appear in the foregoing table are Exchange and Miscellaneous. No revenue is expected from the former in the coming year, thus causing a loss of 9 lakhs compared with 1907-1908. Under Miscellaneous, there is a drop caused mainly by the fact that the last instalment (8.33 lakhs) of the Tibet indemnity was brought to account in the current year.

144. The following table shows the more important heads of Expenditure and compares for each of them the budget figure for next year with the latest estimate of expenditure in the current year:—

HEAD OF EXPENDITURE.	Revised, 1907-1908.		Budget, 1908-1909.		Budget, 1908-1909, more or less than Revised, 1907-1908.	
	Lakhs.	£	Lakhs.	£	Lakhs.	£
Army	28,13.19	18,754,600	28,45.88	18,972,500	+32.69	+217,900
Interest on Debt	12,14.98	8,099,800	12,50.06	8,333,700	+35.08	+233,900
Railways (excluding interest taken above)	7,78.02	5,186,800	7,86.44	5,242,900	+8.42	+56,100
Civil Works	7,01.73	4,678,200	6,68.03	4,453,500	-33.70	-224,700
Police	5,67.76	3,785,000	6,12.92	4,086,100	+45.16	+301,100
Land Revenue	5,28.37	3,522,500	5,36.22	3,574,800	+7.85	+52,300
Superannuation	4,50.93	3,006,200	4,58.84	3,058,900	+7.91	+52,700
Courts of Law	3,86.88	2,579,200	3,89.31	2,595,400	+2.43	+16,200
Irrigation (excluding interest taken above)	2,76.87	1,845,800	2,82.77	1,885,200	+5.90	+39,400
Post Office	2,57.56	1,717,100	2,72.34	1,815,600	+14.78	+98,500
Opium	2,49.48	1,663,200	2,23.14	1,487,600	-26.34	-175,600
Administration	2,43.36	1,622,400	2,51.16	1,674,400	+7.80	+52,000
Education	2,17.44	1,449,600	2,44.92	1,632,800	+27.48	+183,200
Famine Relief and Insurance	1,77.30	1,182,000	2,29.68	1,531,200	+52.38	-349,200
Military Works	1,70.13	1,134,200	1,79.88	1,199,200	+9.75	+65,000
Forest	1,47.84	985,600	1,57.54	1,050,300	+9.70	+64,700
Medical	1,26.64	844,300	1,68.64	1,124,300	+42.00	+280,000
Telegraph	1,63.57	1,090,500	1,64.19	1,094,600	+0.62	+4,100
Political	1,22.24	814,900	1,32.84	885,600	+10.60	+70,700
Jails	1,29.34	862,300	1,30.41	869,400	+1.07	+7,100
Scientific and other Minor Departments	1,15.63	770,900	1,25.32	835,500	+9.69	+64,600
Other Heads	9,27.86	6,185,700	8,98.34	5,989,000	-29.52	-196,700
TOTAL	1,07,67.12	71,780,800	1,10,08.87	73,392,500	+2,41.75	+1,611,700

145. The variations under Army and Military Works are explained in ^{1908-1909.} Appendix II. The increase of Interest charges is greater than usual, and is chiefly in the Home section of the estimates. It is partly due to the ^{Army and Military Works} sterling loans of 1907-1908 carrying interest at the enhanced rate of 3½ per cent (*vide* paragraph 118), but mainly to the fact that a full year's interest on the loan of £5,000,000 raised in January 1908 has to be paid for the first time. Necessary provision has also been made in the Budget for the service of the rupee loan announced in paragraph 84. The share of interest chargeable to the Railway and Irrigation accounts, respectively, in accordance with the arrangements described in paragraphs 17 to 23, exceeds by 39·84 and 6·75 lakhs the corresponding charges of the current year. The whole increase being, however, only 35·08 lakhs, the portion chargeable to ordinary debt shews a decrease of 11·51 lakhs.

146. The net variation under Railways is comparatively small, but there is a ^{1908-1909.} decrease of 90·01 lakhs under Guaranteed Companies and an increase of 59·82 lakhs in the charge for Annuities in purchase of Railways, both of which arise out of the recent acquisition of the Madras Railway. The total annuity payment incurred on the purchase of the undertaking is approximately 83 lakhs, but the Budget provides for the exchange of 9·75 lakhs for new stock of the Southern Mahratta Railway Company and for the payment next year of three-quarters of the reduced annuity, *plus* a half year's annuity to holders who exchange. There is also an increase of 34·34 lakhs in the charge for Interest on Capital deposited by Railway Companies.

147. The large decrease under Civil Works is in Provincial expenditure and is ^{1908-1909.} a somewhat unusual feature of a Budget. The requirements under this head ^{Civil Works Expenditure.} are generally over-estimated, with the result that the Revised Estimate, which takes account of heavy lapses, is ordinarily much lower than the following year's Budget. The reversal in this case is due to the restriction of public works expenditure in Burma and Bengal in view of the comparatively low Provincial balances, to the adoption of a smaller programme in the Punjab where Provincial revenues have suffered by reason of the prevailing distress, and to the absence of special expenditure which was undertaken this year in Bombay. In the United Provinces, there is an increase of 4·88 lakhs in Provincial expenditure; but of this, 4·30 lakhs is for a payment to District Boards which ordinarily would have been recorded under the recently abolished adjusting head Contributions from Provincial to Local.

148. Apart from a growth of 6·75 lakhs in the annual charge for interest on irrigation debt, the Irrigation expenditure has risen by 5·90 lakhs. This falls ^{1908-1909.} under Minor Works, where a lump Imperial grant of 5 lakhs has been provided for Irrigation and Opium Expenditure. distribution during next year. The bulk of the decrease in Opium is due to the poor outturn of last winter's crop. The strong dry winds in February forced it to ripen prematurely and the produce is likely to be abnormally short. The advances for next year's crop will also be made on an area substantially reduced in accordance with the accepted policy of helping the Chinese reforms.

149. Of the increases under Police and Medical, 12 and 30 lakhs, respectively, ^{1908-1909.} represent the additions made to the Budget by the Government of India to allow of expenditure being incurred next year against the special grants for additional police reforms and sanitation referred to in paragraph 130. The balance of the increase under Medical is chiefly for plague expenditure in the Punjab and Bombay, for improvements in the lighting and equipment of hospitals, and for grants-in-aid of the expenditure of local bodies which have hitherto been taken under the abolished adjusting head Contributions from Provincial to Local. The balance of the increase under Police is indicative of the progress which has been made in the development of schemes for the re-organisation of the police force. The enlarged provision under Education is also partly due to the school grants to District Boards being now taken under this head instead of as contributions, and partly to a general advance in the expenditure.

150. The increase under Administration is chiefly in the requirements for ^{1908-1909.} imported stores, while that under Land Revenue is in Provincial expenditure in Bombay, Burma and Madras, and Imperial settlement expenditure in Eastern Bengal and Assam where operations are in progress in the Bakerganj, Faridpore, Jalpaiguri and Mymensingh districts.

1908-1909.
Superannuation,
Post Office
and Telegraph
Expenditure.

151. The increase under Superannuation represents the usual growth of the retired list. Under Post Office, provision has been made, in addition to normal growth, for the appointment of a Postmaster General for the Central Circle, for the reorganisation of the establishments of the three presidency post offices, for two additional Deputy Comptrollers, and for establishment required for the Madras audit office. The growth of Telegraph expenditure is small and normal.

1908-1909.
Famine Relief
and Insurance.

152. The direct expenditure on Famine Relief is estimated at 1,32.07 lakhs, the distribution of which is as follows:—

	Imperial. Lakhs.	Provincial. Lakhs.	Total. Lakhs.
India (chiefly Ajmer)	1.57	...	1.57
Central Provinces and Berar	10.00	...	10.00
Bengal	8.44	1.56	10.00
United Provinces	50.00	50.00	1,00.00
Punjab	3.00	...	3.00
Madras	2.50	...	2.50
Bombay	5.00	...	5.00
TOTAL	80.51	51.56	1,32.07

The division of the total expenditure between Imperial and Provincial has been made in accordance with the arrangements described in paragraphs 48 to 56 of the Financial Statement for 1907-1908. The increase of Famine Relief expenditure over the Revised Estimate is 54.68 lakhs, but there is a small *per contra* reduction of 2.3 lakhs under Protective Railways and Irrigation Works.

1908-1909.
Forest, Political
and Scientific.

153. Forest expenditure in the Punjab shews a decrease (1.83 lakhs), consequent on the restoration to the Chamba State of the management of its forests. Elsewhere, the Budget differs but slightly from the Revised or provides for a small growth of expenditure. Only in Burma and Madras is the increase at all considerable (4.86 and 2.95 lakhs). The difference under Political is chiefly in the provision for the drawings of His Majesty the Amir against the balance of his annual subsidy. Under Scientific Departments, there is a fairly general increase of Provincial expenditure on veterinary and agricultural services, and a growth of Imperial survey expenditure. In Madras, provision has also been made for the expansion of the chrome tanning department, and for the development of expenditure in connection with fisheries; and both in Bengal and Madras there is increased provision for the purchase of cinchona bark.

1908-1909.
Courts of Law,
Jails, Excise and
Miscellaneous
expenditure.

154. After the full provision made under Courts of Law and Jails in the current year, no further growth of expenditure is anticipated. Under Excise, however, which does not appear in the table at page 38, there is a large increase of 13.69 lakhs, which represents a general development of excise establishments in accordance with the recommendations of the Excise Committee, and includes a sum of 0.55 lakhs for the newly created appointment of Inspector General of Excise and his establishment. Of the total decrease under "Miscellaneous," 16.56 lakhs in the United Provinces is caused by the abolition of the adjusting head Contributions from Provincial to Local. This is due to contributions aggregating 24.18 lakhs which were made to District Boards during 1907-1908 having had to be transferred to this head in the Revised Estimate, as the payments were made for general, and not for specific, purposes. In the Budget, similar contributions have been distributed over the heads of account to which they relate, and the sum taken under this head is 7.62 lakhs only. There is a similar decrease of 5.33 lakhs in Bengal, and smaller provision is made in the Imperial estimates for special commissions and committees, and for the refund of fines and penalties incurred by contractors in England.

155. The Imperial and Provincial results are compared separately in the table below :—

1908-1909.
Provincial
Revenue and
Expenditure.

	IMPERIAL.		PROVINCIAL.		TOTAL.	
	Revised, 1907-1908.	Budget, 1908-1909.	Revised, 1907-1908.	Budget, 1908-1909.	Revised, 1907-1908.	Budget, 1908-1909.
Revenue . .	Lakhs.	Lakhs.	Lakhs.	Lakhs.	£	£
Expenditure . .	73,90 ¹¹	74,81 ⁹¹	32,58 ²⁷	35,33 ⁹²	70,989,200	73,438,900
	73,54 ⁸⁰	73,96 ¹⁹	34,12 ³²	36,12 ⁶⁸	71,780,800	73,392,500
Excess (+) or deficit (—) of revenue as com- pared with ex- penditure.	+35 ³¹	+85 ⁷²	—1,54 ⁰⁵	—78 ⁷⁶		
	£	£	£	£	791,600	+46,400
	+235,400	+571,500	—1,027,000	—525,100		

156. The large increase of Provincial Revenue next year over the Revised Estimate of 1907-1908 is chiefly under the following heads :—

1908-1909.
Variations in
Provincial
Revenue.

* Increases—

Land Revenue (including Land Revenue due to Irrigation)	Lakhs.
Irrigation	+99 ⁰³
Excise	+93 ⁷⁹
Forest	+23 ⁴⁶
Assessed Taxes	+15 ⁶⁰
Major Irrigation Works	+13 ⁹³
Interest	+13 ⁴³
Stamps	+9 ³⁰
Registration	+6 ⁹⁸
Other Heads (net)	+0 ¹³

The gross increases under the first seven of the above heads have been dealt with in paragraphs 134, 137, 140 and 141, but under Excise, Forest, Assessed Taxes, and Registration the increase of the Provincial share of the revenue is greater than the total growth. This is the result of the altered distribution of these revenues effected at the revision of the Settlements with Madras and the United Provinces to which reference has already been made in paragraph 66. Of the net increase in the Provincial share of Land Revenue, 40⁵ lakhs represent the aggregate of the assignments from Imperial to Provincial Revenues for additional police reforms and sanitation (*vide* paragraph 130). In the Budget, there are also special assignments of 6⁴⁷ and 14⁸² lakhs to the United Provinces to make up the minimum amount of Land Revenue guaranteed under the Provincial Settlement, and to avoid a *minus* Provincial balance in the Budget, respectively. There is also a substantial true betterness in collections.

157. The chief variations resulting in the increase of 2,00³⁶ lakhs 1908-1909. in Provincial expenditure next year are the following :—

1908-1909.
Variations in
Provincial
Expenditure.

* Increases—

	Lakhs.
Land Revenue	+45 ⁹⁸
Medical	+40 ⁰⁵
Police	+39 ⁷⁸
Famine Relief	+29 ⁰⁵
Education	+25 ⁹⁶
Major Irrigation Works—Interest on Debt	+15 ⁷¹
Forest	+14 ³⁶
Excise	+9 ⁴⁶
Major Irrigation Works—Working Expenses	+8 ⁸⁹
Scientific and other Minor Departments	+7 ⁴⁵
Other Heads (net)	+21 ⁶³

* Decreases—

Civil Works	—34 ⁴⁹
Miscellaneous	—23 ⁴⁷

The gross increase or decrease of expenditure under most of the above heads has been explained in paragraphs 148 to 154. Under Land Revenue, Forest, and Interest on Irrigation Debt, the increases in the Provincial section of the Budget are larger, however, than the total increase. This, and similar differences under Excise and Major Irrigation Works, are the result of the recent revision of the Provincial Settlements of Madras and the United Provinces. Of the increase in the Provincial charge for Famine Relief, 27.5 lakhs are in the United Provinces and 1.56 lakhs in Bengal. As stated in paragraph 152, these fluctuations are due to the division of the total expenditure on Famine Relief between Imperial and Provincial in accordance with the arrangements described in paragraphs 48 to 56 of the Financial Statement for 1907-1908.

Section IV.—Statements comparing the estimates under the more important heads of Revenue and Expenditure with the actuals of past years.

LAND REVENUE.

	Accounts, 1904-1905.	Accounts, 1905-1906.	Accounts, 1906-1907.	1907-1908.		1908-1909, Budget.
				Budget.	Revised.	
REVENUE (including that due to Irrigation)—						
India General	15,05,172	13,57,265	15,24,613	16,25,000	15,07,000	16,05,000
Central Provinces	87,29,557	85,86,937	81,70,73,306	1,75,62,000	1,62,75,000	1,65,52,000
Berar	83,06,277	84,36,779	3,86,04,016	4,15,78,000	3,85,70,000	4,14,70,000
Burma	3,70,84,384	3,82,91,967	1,93,52,665	1,97,60,000	2,01,25,000	2,03,30,000
Assam	63,37,256	1,90,14,059	2,92,18,589	2,89,04,871	2,94,50,000	2,99,50,000
Eastern Bengal	4,11,45,565	2,92,18,589	2,99,33,000	2,99,33,000	2,94,50,000	2,99,50,000
Bengal						
United Provinces of Agra and Oudh	6,46,03,633	6,04,12,536	6,31,96,701	6,57,24,000	5,16,10,000	6,31,27,000
Punjab	2,63,91,590	2,41,53,128	2,71,96,161	2,72,00,000	2,51,04,000	2,53,71,000
N.W. Frontier Province	19,80,446	19,33,815	22,32,744	21,33,000	23,65,000	22,40,000
Madras	5,80,91,916	6,11,32,577	6,28,86,581	6,32,03,000	6,31,70,000	6,31,84,000
Bombay	4,31,29,202	4,45,03,226	5,10,39,902	5,00,90,000	4,51,77,000	5,16,73,000
TOTAL R	29,73,04,998	29,70,71,478	31,20,11,561	31,88,68,000	29,33,53,000	31,55,02,000
Shown under XXIX.—Irrigation.	1,33,98,743	1,45,31,687	1,51,04,710	1,54,76,000	1,54,77,000	1,60,99,000
Shown under I.—Land Revenue	28,39,06,255	23,25,39,791	29,69,06,851	30,33,92,000	27,78,76,000	29,94,03,000
Equivalent in Sterling	19,820,333	19,804,765	20,800,772	21,257,800	19,556,800	21,033,500
Shown under XXIX.—Irrigation.	893,250	968,779	1,006,981	1,031,700	1,031,800	1,073,300
Shown under I.—Land Revenue	18,927,083	18,835,986	19,793,791	20,226,100	18,525,000	19,960,200
EXPENDITURE—						
India—						
District Administration	4,76,04,109	4,94,21,312	5,02,96,986	5,28,55,000	2,32,80,000	2,35,27,000
Other Charges					2,95,40,000	3,00,85,000
TOTAL INDIA R	4,76,04,109	4,94,21,312	5,02,96,986	5,28,55,000	5,28,20,000	5,36,12,000
Equivalent in Sterling	3,173,608	3,294,754	3,353,132	3,523,700	3,521,400	3,574,100
England—						
Other Charges	875	1,811	790	700	1,100	700
TOTAL EXPENDITURE £	3,174,483	3,296,565	3,353,922	3,524,400	3,522,500	3,574,800

158. Freed of all technicalities as to adjustments between Imperial and Provincial, the large deterioration in the current year's collections is almost entirely the result of the failure of the monsoon and consequently of the autumn harvest in several provinces. The heaviest drop is in the United Provinces, where it is estimated that nearly 1.4 crores of the current demand will be suspended or remitted during the year. In the second order of magnitude comes Bombay, where heavy collections of the arrears from the previous famine were realized during the earlier part of the year, and partially obscure the losses on account

of the autumn harvest; the suspensions and remissions of the current demand being reckoned at about $\frac{3}{4}$ crore. The Punjab and the Central Provinces also suffer, though in a minor degree; and there has also been a reduction in the revenue demand due to the failure of crops in certain districts in Upper Burma. In Burma, however, a part of the loss is nominal, being the result of transferring 8.8 lakhs from the Land Revenue to the Irrigation head of account; this sum represents the share of revenue which is calculated as due to irrigation on lands served by the minor irrigation works in the province. For next year, the revenue from the crops which are now being harvested will be in serious defect in the scarcity provinces: but the estimates assume that a normal autumn monsoon will subsequently allow of the collection of a substantial share of the arrears. In the United Provinces and Bombay particularly, in spite of large suspensions and remissions in the revenue which falls due between April and July, substantial arrear payments are expected in the later months. The increase in Burma follows, under the fluctuating assessment system, the larger area which ought to be cultivated in normal seasons.

The more noticeable increases in expenditure are the result of survey and settlement charges in Eastern Bengal, and of extra allowances to the subordinate establishments in several provinces as compensation for the dearness of grain.

OPIUM.

		Accounts, 1904-1905.	Accounts, 1905-1906.	Accounts, 1906-1907.	1907-1908.		1908-1909, Budget.
					Budget.	Revised.	
INDIA.							
Revenue—							
Bengal—Sale of Opium		7,61,93,120	7,05,53,610	7,34,32,575	6,15,00,000	6,60,30,000	5,96,70,000
Bombay—Pass Fees		1,12,36,875	85,41,000	82,75,200	79,75,000	90,00,000	90,60,000
Excise Opium and other Revenue		28,92,496	29,37,084	32,00,147	32,91,000	33,13,000	39,13,000
TOTAL	R	9,03,22,491	8,20,31,694	8,49,07,922	7,27,06,000	7,83,43,000	7,26,43,000
Equivalent in Sterling		6,021,499	5,468,780	5,660,528	4,851,100	5,222,900	4,842,900
Expenditure—							
Payments to Cultivators, including purchase of Opium		2,69,25,333	2,58,14,453	2,61,60,116	2,44,60,000	2,25,02,000	1,98,00,000
Other Charges		25,46,301	25,45,748	25,14,101	25,86,000	24,21,000	24,96,000
TOTAL INDIA	R	2,94,71,634	2,83,60,201	2,86,74,217	2,70,46,000	2,49,23,000	2,22,96,000
Equivalent in Sterling		1,964,775	1,890,680	1,911,615	1,803,100	1,661,500	1,486,400
ENGLAND.							
Other Charges	£	2,310	1,761	1,677	1,700	1,700	1,200
TOTAL	£	1,967,085	1,892,441	1,913,292	1,804,800	1,663,200	1,487,600
Statistics—							
Bengal—							
Chests sold		48,000	49,200	52,800	49,200	48,900	45,900
Average price		R1,587	R1,434	R1,391	R1,250	R1,350	R1,300
Chests produced		50,004	55,501	48,750	...	38,125	...
Chests in Balance, March 31		69,762	76,063	72,013	...	61,238	...
Reserve, December 31		31,762	32,566	36,463	42,413	34,807	38,832
Bombay—							
Chests passed for export		18,821 $\frac{1}{2}$	14,235	13,792	13,292	15,000	15,100
Rate of duty		R500 & R600	R600	R600	R600	R600	R600

159. These figures have been discussed in paragraphs 113 and 138 above. The price of Bengal opium opened well at Rs 1,457 in April : but it subsequently sagged in consequence of rumours as to the establishment of opium monopolies in China. In December and January it dropped to close on the budget figure of Rs 1,250 : but there was an improvement towards the end of the year, and the average price obtained has been Rs 1,350. The revenue has thus exceeded the Budget estimate by 45.3 lakhs. A fine opium harvest in Malwa in the spring of 1907 has stimulated the exports from Bombay. Up to the end of February, 14,647 chests had passed the scales against 13,488 chests in the first 11 months of the previous year; and it is estimated that, for the whole year, 15,000 chests may be declared for export.

160. Now that the outcome of the negotiations with China is public knowledge, and that further curtailment of exports has been decided upon, a more stable price may be expected for Bengal opium. It would hardly be prudent however, in view of the constant unforeseen fluctuations in value, to assume a higher average than Rs 1,300. The exports of Malwa opium will probably reach the permissible maximum during the calendar year 1908, as stocks are believed to be high; and under the new system, there will presumably be a tendency to a disproportionate activity of export during the earlier part of the year. Budget provision has therefore been made for 15,100 chests paying pass duty. The drop in expenditure is due to the steady contraction which is now being effected in the area under poppy in Bengal, and to the very poor outturn of the crop which has just been harvested.

SALT.

		Accounts, 1904-1905.	Accounts, 1905-1906.	Accounts, 1906-1907.	1907-1908.		1908-1909, Budget.
					Budget.	Revised.	
REVENUE.							
Northern India (a)	Rs	1,69,35,310	1,48,51,309	1,46,41,087	1,05,50,000	1,10,97,000	1,15,50,000
Burma (b)	Rs	16,38,131	17,47,821	17,30,510	18,20,000	18,80,000	19,25,000
Eastern Bengal (b)	Rs	2,23,61,605	18,47,715	19,51,587	14,60,000	14,44,000	17,78,000
Bengal (b)	Rs	1,95,38,005	1,53,38,361	1,60,88,611	1,11,50,000	1,09,75,000	1,10,55,000
Madras (a)	Rs	1,57,89,722	1,43,38,019	1,21,00,000	1,23,31,000	1,11,00,000	1,11,00,000
Bombay (a)	Rs	1,98,48,469	1,60,71,215	1,66,90,777	1,22,70,000	1,23,26,000	1,30,25,000
TOTAL	Rs	8,03,21,520	6,56,46,143	6,54,40,591	4,93,50,000	5,00,53,000	5,10,33,000
Equivalent in Sterling		5,354,768	4,376,410	4,362,706	3,290,000	3,336,900	3,402,200
CHARGES.							
India	Rs	51,62,759	54,41,628	54,46,786	55,59,000	54,60,000	51,03,000
Equivalent in Sterling		344,184	362,775	363,119	370,600	364,000	340,200
England	£	918	391	1,370	100	300	300
TOTAL	£	345,102	363,166	364,489	370,700	364,300	340,500
Total consumption Mds.		3,93,78,000	4,07,29,000	4,30,86,000	4,34,00,000	4,42,89,000	4,71,92,000

(a) Chiefly excise on local manufacture.

(b) Chiefly duty on imported salt.

161. The movements of the salt revenue during the current year were erratic. After the enormous run upon stocks which followed the reduction of duty in the last eleven days of March 1907, there was a comparative lull in the issues of salt: but the consumption rose steadily, as compared with previous years, until September, when there was a sharp set-back, probably owing to the untimely closing of the monsoon. There has been a noticeable recovery however since November, and it is estimated that the total issues for the year will be nearly 443 lakhs of maunds. The figures indicate how the consumption has been stimulated, even in a famine year, by the lower rate of taxation. For next year a further large increase is confidently expected, and the budget is based on issues of nearly 472 lakhs of maunds. There is a corresponding rise in revenue everywhere except in Madras, where the current year's receipts include 59.09 lakhs received on account of salt sold in the previous year at the higher rate of duty (R 1-8-0 per maund) under the credit system and are thus abnormal to the extent of 19.7 lakhs.

162. The reduction in charges is nominal, being due mainly to a readjustment of the proportions in which the cost of the joint establishment for salt, excise and customs in Madras is debited to these different heads.

STAMPS.

		Accounts, 1904-1905.	Accounts, 1905-1906.	Accounts, 1906-1907.	1907-1908.		1908-1909, Budget.
					Budget.	Revised.	
REVENUE.							
Court Fees and Plain Paper		3,82,35,186	3,96,15,303	4,02,37,343	4,21,81,000	4,20,21,000	4,32,33,000
Commercial and other Stamps		1,70,81,280	1,85,24,420	1,93,96,930	1,95,58,000	2,06,22,000	2,13,12,000
Other Revenue		7,58,970	7,55,734	8,14,342	7,75,000	8,87,000	8,80,000
TOTAL	R	5,60,75,436	5,88,95,457	6,04,48,615	6,25,14,000	6,35,30,000	6,54,25,000
Equivalent in Sterling		3,738,362	3,926,364	4,029,908	4,167,600	4,235,300	4,361,700
CHARGES.							
India	R	12,34,918	12,95,424	12,89,498	13,24,000	13,61,000	13,92,000
Equivalent in Sterling		82,328	86,362	85,966	88,200	90,700	92,800
England (Stores)	£	38,763	41,802	100,300	103,000	105,000	120,000
TOTAL	£	121,091	128,164	186,266	191,200	195,700	212,800

163. Except in Burma, where the budget estimate was high, and in Bombay where the resort to conciliation procedure is said to be affecting court-fees, the growth of stamp revenue has been general. For next year, a normal increase is counted upon except in the provinces affected by famine: in them, it is expected that the revenue will virtually be stationary.

EXCISE.

		Accounts, 1904-1905.	Accounts, 1905-1906.	Accounts, 1906-1907.	1907-1908.		1908-1909, Budget.
					Budget.	Revised.	
REVENUE.							
Burma	•	72,81,670	83,01,926	76,64,986	83,00,000	79,00,000	80,00,000
Assam	•	30,54,075	62,07,991	63,73,582	66,00,000	71,00,000	74,00,000
Eastern Bengal	•	1,67,90,284	1,52,58,297	1,60,81,892	1,68,00,000	1,70,00,000	1,75,00,000
Bengal							
United Provinces	of	1,02,25,122	99,75,427	92,05,779	1,02,00,000	88,00,000	88,50,000
Agra and Oudh		1,87,53,820	1,91,13,741	2,05,60,146	2,12,00,000	2,29,00,000	2,34,00,000
Madras		1,39,63,271	1,42,67,667	1,48,36,335	1,55,00,000	1,60,50,000	1,65,00,000
Bombay		1,02,33,126	1,21,92,260	1,37,51,069	1,45,17,000	1,32,17,000	1,42,36,000
Other Provinces							
TOTAL	R	8,03,01,368	8,53,17,309	8,84,73,289	9,31,17,000	9,29,67,000	9,58,86,000
Equivalent in Sterling		5,353,424	5,687,820	5,898,219	6,207,800	6,197,800	6,392,400
CHARGES.							
India	•	R 36,22,103	38,71,724	41,17,933	47,22,000	44,12,000	57,81,000
Equivalent in Sterling		241,473	258,115	274,529	314,800	294,100	385,400
England	•	841	1	80	100	100	100
TOTAL	L	242,314	258,116	274,609	314,900	294,200	385,500

164. There has been a large increase in the current year's receipts in Madras, due mainly to a higher revenue from country spirits. On the other hand, there is a drop of 14½ lakhs in the Central Provinces, the result partly of ceasing to make advance collections from contractors, and partly of agricultural distress. The latter reason accounts for the big fall in the United Provinces; while the decrease in Burma is attributed chiefly to increased vigilance in restricting the sale of opium to the needs of the consumers. For next year a more moderate increase is taken than usual: famine will keep down the revenue in the United Provinces, and there are indications that the rapid improvement in Excise efficiency of recent years has brought the revenue up to a point from which the advance in future must necessarily be slower. The lapses in expenditure have occurred chiefly in Burma, where a provision of nearly 2 lakhs for revision of establishments could not be utilized during the year. Of the increased expenditure for next year, about 7 lakhs is nominal, representing a redistribution of the cost of the joint Salt, Excise and Customs Establishment in Madras: the balance is largely due to the strengthening of the preventive agencies which most provinces are now undertaking.

PROVINCIAL RATES.

		Accounts, 1904-1905.	Accounts, 1905-1906.	Accounts, 1906-1907.	1907-1908.		1908-1909, Budget.
					Budget.	Revised.	
REVENUE.							
	R	1,55,49,795	1,43,04,951	77,50,070	79,01,000	78,58,000	79,89,000
Equivalent in Sterling		1,036,653	953,664	516,671	526,700	523,900	532,600
CHARGES							
	R	84,256	93,301	66,279	57,000	86,000	93,000
Equivalent in Sterling		5,617	6,220	4,419	3,800	5,700	6,200

165. The only cess of any importance which is now brought into the general accounts is the Public Works Cess in Bengal and the districts of Eastern Bengal.

The only other large item included in the total is the amount which the Government of the United Provinces appropriates from the local rates for the payment of rural police in Agra. With a few petty exceptions, all the other rates and cesses which formerly appeared under this head are now credited to local funds, which are excluded from the general estimates and accounts of the Empire.

CUSTOMS.

SEA CUSTOMS. IMPORTS.	Accounts, 1904-1905.	Accounts, 1905-1906.	Accounts, 1906-1907.	1907-1908.		1908-1909. Budget.
				Budget.	Revised.	
<i>Special Import Duties.</i>						
Arms, Ammunition, and Military Stores	4,16,977	4,10,419	4,45,734	4,25,000	5,50,000	5,50,000
Liquors—						
Ale, Beer, Porter, Cider and other fermented Liquors	2,88,410	3,12,123	3,08,967	3,20,000	3,80,000	6,00,000
Spirits and Liqueurs	70,58,678	90,31,671	77,97,711	93,00,000	92,20,000	95,00,000
Wines	3,73,964	3,96,632	3,83,569	4,00,000	4,00,000	4,00,000
Opium	3,567	3,400	3,437	3,000	5,000	5,000
Petroleum	45,88,496	36,64,737	37,77,333	37,00,000	45,50,000	46,00,000
Sugar (countervailing duties, 1899)	12,850	1,238	805			
Do. (do., 1902)	8,614	666	399	...	...	...
<i>General Import Duties.</i>						
Articles of Food and Drink (excluding Sugar)	18,16,188	19,15,004	19,86,187	20,50,000	24,60,000	25,00,000
Sugar (ordinary duties)	32,49,459	39,91,339	43,81,422	50,00,000	44,00,000	45,00,000
Chemicals, Drugs, Medicines and Narcotics and Dyeing and Tanning Materials	13,90,125	14,48,517	15,22,261	15,60,000	18,50,000	18,50,000
Cotton Manufactures	1,21,69,967	1,32,88,991	1,29,13,509	1,35,00,000	1,50,50,000	1,50,00,000
Metals and Manufactures of—						
Silver, Bullion and Coin	41,11,942	29,33,851	40,79,320	37,00,000	50,50,000	43,00,000
Other Metals and Manufactures of Metals	34,63,266	30,78,074	34,51,152	35,00,000	44,50,000	43,00,000
Oils (excluding Petroleum)	96,220	1,23,624	1,84,180	1,85,000	2,70,000	3,00,000
Manufactured Articles	81,59,549	82,78,001	84,84,426	84,50,000	98,50,000	99,50,000
Raw Materials and Unmanufactured Articles	10,28,998	12,11,786	11,38,368	12,48,000	14,25,000	15,00,000
TOTAL IMPORTS	4,88,37,270	5,00,90,073	5,08,58,780	5,33,41,000	5,99,10,000	5,98,55,000
EXCISE DUTY ON COTTON GOODS	23,81,825	27,06,784	29,00,695		32,50,000	35,50,000
<i>EXPORT DUTIES—</i>						
Rice	1,31,85,757	1,15,11,233	1,05,31,920	1,17,50,000	1,02,50,000	1,05,00,000
LAND CUSTOMS AND MISCELLANEOUS	10,21,710	9,12,174	9,83,989	9,42,000	10,50,000	11,00,000
GRAND TOTAL R	6,54,26,562	6,52,20,264	6,52,75,384	6,89,33,000	7,44,60,000	7,50,05,000
Equivalent in Sterling	4,361,771	4,348,017	4,351,692	4,595,500	4,964,000	5,000,300
Charges	26,83,465	27,30,322	29,99,434	31,11,000	30,73,000	33,16,000
Equivalent in Sterling	178,898	182,021	199,962	207,400	2,04,900	221,100
England	348	438	222	100	600	100
TOTAL £	179,246	182,459	200,184	207,500	205,500	221,200

166. The import trade during the earlier part of the year was one of unprecedented activity; and the influence of famine has not yet made itself felt on the volume of business. There has been a large increase over the budget estimate in respect of petroleum, cotton manufactures and manufactured articles generally; the small set-back in consequence of the *swadeshi* movement last year not having been maintained. The great fall in the price of silver has stimulated the import of that metal, which has developed abnormal activity during the last few months of the year. On the other hand, the demand for rice in India on account of local scarcity has again deflected the export from Burma and reduced our revenue from that source. For 1908-1909, in view of the prevalence of famine, it would be imprudent to budget for any substantial increase upon the large receipts of the current year. There should be some improvement in consequence of the doubling of the duty on beer, and the steady development of the cotton-mill industry; but in most other respects the budget follows closely the revised estimate of 1907-1908. The rise in expenditure is due to improvements in the preventive arrangements at Rangoon and Calcutta, and to increased allowances, overtime and otherwise, at Bombay.

ASSESSED TAXES.

	Accounts, 1904-1905.	Accounts, 1905-1906.	Accounts, 1906-1907.	1907-1908.		1908-1909, Budget.
				Budget.	Revised.	
Deduction by Government from Salaries, Pensions, and Interest payments.	43,93,912	45,44,157	47,41,425	47,90,000	48,41,000	49,20,000
Other Collections.	1,46,44,468	1,52,76,742	1,66,15,384	1,67,03,000	1,73,91,000	1,78,96,000
TOTAL R	1,90,38,380	1,98,20,899	2,13,56,809	2,14,93,000	2,22,32,000	2,28,16,000
Equivalent in Sterling	1,269,225	1,321,393	1,423,787	1,432,900	1,482,100	1,521,000
Charges.	3,15,129	3,37,766	3,57,418	3,65,000	3,64,000	3,83,000
Equivalent in Sterling.	21,008	22,518	23,828	24,300	24,300	25,500

167. In Bombay the estimate for the current year had not made sufficient allowance for the high profits in the mill industry, and has been exceeded by about 4½ lakhs: a further improvement has been anticipated in the figure for next year. In the famine provinces, the revenue is stationary for the time: but elsewhere the general activity of trade has led to an increase in the current year's actuals over the estimate, and justifies a further moderate development of the revenue in 1908-1909.

FOREST.

	Accounts, 1904-1905.	Accounts, 1905-1906.	Accounts, 1906-1907.	1907-1908.		1908-1909, Budget.
				Budget.	Revised.	
REVENUE.						
India.	2,40,29,950	2,66,74,593	2,64,99,020	2,83,35,000	2,61,15,000	2,76,81,000
Equivalent in Sterling	1,601,997	1,778,306	1,766,601	1,889,000	1,741,000	1,845,400
England.	...	1,260	2,310	800	700	...
TOTAL £	1,601,997	1,779,566	1,768,911	1,889,800	1,741,700	1,845,400
EXPENDITURE.						
India.	1,29,67,856	1,42,58,521	1,40,93,152	1,59,87,000	1,47,14,000	1,56,50,000
Equivalent in Sterling	864,524	950,568	939,543	1,065,800	980,900	1,043,400
England.	4,614	4,250	9,323	5,100	4,700	6,900
TOTAL £	869,138	954,818	942,866	1,070,900	985,600	1,050,300
NET REVENUE £	732,859	824,748	820,045	818,900	756,100	795,100

168. The revenue has fluctuated considerably in different provinces. It has dropped heavily in the Andamans where it is always very unsteady. In Burma it has fallen short of the estimate by 18 lakhs, mainly owing to the curtailment of departmental operations and the working out of refuse teak in certain forests. In Madras, on the contrary, increased exploitation by departmental agency and a rise in the price of produce have raised the receipts by 4½ lakhs over the original estimate. For next year a moderate improvement is expected, chiefly in Burma, where a revival in prices is looked for. The cost of working the forests follows in a general way the movements of the revenue.

INTEREST RECEIPTS.

	R	Accounts, 1904-1905.	Accounts, 1905-1906.	Accounts, 1906-1907.	1907-1908.		1908-1909, Budget.
					Budget.	Revised.	
India . . . R	1,01,82,770	1,04,44,567	1,08,56,414	1,26,23,000	1,20,96,000	1,34,59,000	
Equivalent in Sterling .	678,851	696,304	723,761	841,600	806,400	897,300	
England . . . £	160,471	237,877	248,432	109,400	174,400	117,300	
TOTAL . . . £	839,322	934,181	972,193	951,000	980,800	1,014,600	

169. The falling off under this head of revenue in the current year is only nominal. When the last budget was framed, an instalment of interest amounting to 5·96 lakhs was due from the Calcutta Port Commissioners; and provision was made for their paying the money in April 1907. Contrary to expectation, they paid it at the end of March, so that it appears in the figures for 1906-1907. In other respects the figures approximate closely to the original estimate: in the scarcity provinces the collections of interest on agricultural loans are weak, but on the other hand there have been higher recoveries of interest on overdrawals of capital by Railway Companies. This last mentioned reason will give a still further increase next year: but the main cause for the large rise in 1908-1909 is the expected recovery of an additional 10 lakhs or so on the heavy advances of takavi for famine purposes in the United Provinces. The variations in England depend on the extent to which the Secretary of State is in a position to make temporary investments of his cash balances, and on the interest which he obtains on them.

INTEREST EXPENDITURE.

	R	Accounts, 1904-1905.	R	Accounts, 1905-1906.	R	1907-1908.		1908-1909, Budget.
						Budget.	Revised.	
Interest on Debt—								
India	4,27,92,544		4,39,17,978		4,54,96,632	4,67,00,000	4,66,25,000	4,77,00,000
Deduct charged to—								
Irrigation	1,52,28,363		1,56,21,842		1,24,26,488	1,68,44,000	1,31,70,000	1,38,19,000
Railways	5,52,17,951		5,87,24,879		3,78,07,002	6,67,27,000	4,02,70,000	4,19,47,000
Balance charged to Interest	—2,76,53,770		—3,04,28,743		—47,36,858	—3,68,71,000	—68,15,000	—80,66,000
Equivalent in Sterling	—1,843,585		—2,028,583		—315,791	—2,458,000	—454,400	—537,700
England	3,045,165		2,983,370		1,735,503	3,020,900	1,752,100	1,758,700
TOTAL	1,201,580		954,787		1,419,712	562,900	1,297,700	1,221,000
Interest on other Obligations—								
On Savings Bank Balances converted at R15 = £1	305,787		312,028		348,359	359,500	357,500	368,300
Other items	137,773		141,664		147,813	142,000	144,100	145,500
GRAND TOTAL £	1,645,140		1,408,479		1,915,884	1,064,400	1,799,300	1,734,800
Debt outstanding, March 31—								
Sterling	£132,887,191		£146,457,439		£147,518,634	£150,707,539	£157,782,734	£158,162,934
Rupee Debt—								
4 per cent	4,35,61,525		4,15,06,325		4,03,06,325	3,91,04,325	3,91,06,325	3,79,01,325
3½ per cent	1,05,65,35,200		1,09,65,35,700		1,14,15,80,000	1,17,15,35,700	1,16,65,80,600	1,19,05,80,000
3 per cent	11,07,11,100		11,07,12,100		11,07,12,100	11,07,12,100	11,07,12,100	11,07,12,100
Other Debt	1,21,70,410		1,20,56,493		1,19,51,630	1,19,10,493	1,18,91,630	1,18,26,630
Savings Bank Balances	15,61,55,910		16,39,85,179		17,43,03,812	18,27,01,179	18,11,84,812	18,71,26,812

170. The statistics of interest on the public debt have to be read as a whole; the Indian and English figures for Railway, Irrigation and other (or non-productive) debt being amalgamated. They have been examined from this point of view in paragraphs 118 and 145; and the first half of the above table is merely indicative of the change of system under which a more adequate share of the interest charges is thrown upon the non-productive debt with effect from 1906-1907.

POST OFFICE.

	REVENUE.	Accounts, 1904-1905.	Accounts, 1905-1906.	Accounts, 1906-1907.	1907-1908.		1908-1909, Budget.
					Budget.	Revised.	
India . . . R	2,36,13,625	2,47,60,873	2,62,67,186	2,69,36,000	2,75,03,000		2,86,81,000
Equivalent in Sterling .	1,574,241	1,650,724	1,751,146	1,795,700	1,833,500		1,912,100
EXPENDITURE.							
India . . . R	1,99,43,357	2,12,91,381	2,31,03,700	2,44,21,000	2,48,38,000		2,63,85,000
Equivalent in Sterling .	1,329,556	1,419,426	1,540,247	1,628,100	1,655,900		1,759,000
England . . . £	153,034	121,334	62,686	61,700	61,200		56,600
TOTAL . . . £	1,482,590	1,540,760	1,602,933	1,689,800	1,717,100		1,815,600
TOTAL NET REVENUE £	91,651	109,964	148,213	105,900	116,400		96,500

171. The reduction in postal rates from last October has made very little impression on the steady progress of postal revenue; the increase over the current year's budget estimate being almost wholly on account of the sale of postage stamps. A further improvement under the same head and also in the receipts for Money Order commission is provided for next year. The excess of expenditure in the current year results mainly from the grant of compensation for the dearness of grain. The further increase next year is accounted for by certain new appointments (*vide* paragraph 151); by necessary improvements in the pay of the executive staff; by larger payments to railways and by subsidies for new postal routes.

TELEGRAPH.

	REVENUE.	Accounts, 1904-1905.	Accounts, 1905-1906.	Accounts, 1906-1907.	1907-1908.		1908-1909, Budget.
					Budget.	Revised.	
Revenue Accounts—							
India . . . R	1,34,06,813	1,35,40,107	1,41,66,341	1,47,59,000	1,48,77,000		1,54,93,000
Equivalent in Sterling .	893,788	902,674	944,423	983,900	991,800		1,032,900
England . . . £	4,135	7,180	8,583	8,000	12,300		5,000
TOTAL . . . £	897,923	909,854	953,006	991,900	1,004,100		1,037,900
EXPENDITURE.							
Revenue Accounts—							
India . . . R	90,93,488	96,96,237	1,05,43,702	1,10,79,000	1,14,88,000		1,17,73,000
Equivalent in Sterling .	606,233	646,416	702,914	738,600	765,900		784,900
England . . . £	27,284	42,204	46,218	53,800	46,400		36,700
Capital Expenditure—							
India . . . R	15,48,646	16,86,904	16,04,592	12,88,000	12,87,000		16,35,000
Equivalent in Sterling .	103,243	112,400	106,972	85,900	85,800		109,000
England . . . £	165,508	275,409	270,101	201,800	192,400		164,000
TOTAL . . . £	268,751	387,869	377,073	287,700	278,200		273,000
TOTAL NET REVENUE £	902,268	1,076,489	1,126,205	1,080,100	1,090,500		1,094,600
	—4,345	—166,635	—173,199	—88,200	—86,400		—56,700

172. The figures provide for the usual annual growth of business, and there is nothing to explain.

MINT.

	REVENUE.	India . . R	Accounts, 1904-1905.	Accounts, 1905-1906.	Accounts, 1906-1907.	1907-1908.		1908-1909, Budget.
						Budget.	Revised.	
	Equivalent in Sterling . . £	England . . £	206,364 46	321,137 46	419,465 33	245,300 ...	438,000 ...	272,100 ...
	TOTAL . . £		206,410	321,183	419,498	245,300	438,000	272,100
	EXPENDITURE.							
	India . . R		15,52,767	16,29,649	19,58,645	17,66,000	20,00,000	17,50,000
	Equivalent in Sterling . . £	England . . £	103,518 14,359	108,643 11,436	130,577 36,321	117,700 33,100	133,300 32,200	116,700 31,000
	TOTAL . . £		117,877	120,079	166,898	150,800	165,500	147,700
	TOTAL NET REVENUE £		88,533	201,104	232,600	94,500	272,500	124,400

173. The decline in exports and the marked slackening of the demand for rupees led to the curtailment and ultimate cessation of the coinage of rupees in the latter part of the year: but the heavy output in the earlier months served to bring the receipts from seigniorage nearly 3 lakhs above the original estimate. Famine brought an extraordinary demand for bronze coinage, which is now being worked almost entirely to the exclusion of silver; and the profits on the outturn have risen by 10 lakhs as compared with the Budget Estimate. The profits on the nickel one-anna piece, of which the issue began in August 1907, are expected to amount to 16 lakhs against the tentative provision of only 2 lakhs made under this head in the Budget. For 1908-1909 the figures are based on the assumption that the rupee coinage will be very much less than it was in the current year; that the rush on bronze will cease when the monsoon is established; and that the new nickel coin will be in moderate request. There is a corresponding reduction in the charges for labour and overtime allowances at both Mints.

EXPENDITURE ON CIVIL DEPARTMENTS.

	INDIA.	Accounts, 1904-1905. R	Accounts, 1905-1906. R	Accounts, 1906-1907. R	1907-1908.		1908-1909, Budget. R
					Budget.	Revised.	
	General Administration	1,68,54,438	1,83,08,230	1,86,72,411	1,87,16,000	1,92,72,000	1,94,45,000
	Law and Courts	3,50,66,466	3,61,43,980	3,81,00,453	3,79,39,000	3,86,83,000	3,89,24,000
	Justice. { Jails	1,05,97,957	1,19,00,946	1,26,45,210	1,23,61,000	1,29,07,000	1,30,40,000
	Police	4,29,04,677	4,59,09,698	5,29,95,067	5,69,15,000	5,67,40,000	6,12,69,000
	Ports and Pilotage	30,46,546	23,65,841	24,14,142	28,18,000	28,23,000	30,64,000
	Education	1,47,28,654	1,82,73,075	2,01,36,373	2,17,25,000	2,16,28,000	2,43,07,000
	Ecclesiastical	18,09,727	18,16,331	18,82,920	19,73,000	18,71,000	19,35,000
	Medical	1,05,24,023	1,12,72,681	1,20,57,009	1,25,26,000	1,25,71,000	1,66,99,000
	Political	1,17,93,498	1,40,68,500	1,58,43,710	1,39,81,000	1,21,39,000	1,32,27,000
	Scientific and Minor Departments	70,00,306	86,69,751	95,44,088	1,08,08,000	1,04,64,000	1,14,31,000
	TOTAL INDIA	15,43,26,292	16,87,29,051	18,42,91,383	18,97,62,000	18,90,98,000	20,34,01,000
	Equivalent in Sterling	10,288,419	11,248,604	12,286,092	12,650,800	12,606,500	13,560,100
	ENGLAND.						
	General Administration	272,236	290,342	280,008	333,600	337,600	378,100
	Other heads	51,994	68,757	80,258	95,200	98,000	99,100
	TOTAL ENGLAND	324,230	359,099	360,266	428,800	435,600	477,200
	TOTAL INDIA AND ENGLAND	10,612,649	11,607,703	12,646,358	13,079,600	13,042,100	14,037,300

174. The chief reasons for the difference between the budget provision for 1907-1908 and the revised estimate are:—*Increases*: the appointment of an Inspector General of Excise and Salt; minor re-organizations in judicial and magisterial establishments; larger fees to pleaders in Government cases; grain compensation allowances to petty employés; increased cost of dietary in jails; and special grants for plague expenditure to municipalities in the United Provinces: *Decreases*: the failure of most provinces except Bengal and Bombay to use their full allotments for police reform; the lapse of about 2 lakhs of special grants for agricultural and similar purposes in Bombay; and the probability that His Majesty the Amir will draw only about 15 lakhs from his subsidy account against the 35½ lakhs provided in the budget. In 1908-1909 a considerably enhanced provision is made for pushing on the police re-organization in every province. The increased educational expenditure occurs chiefly in the United Provinces where it is proposed to take over all English schools from District Boards and simultaneously to give large grants to those bodies for primary education; but in other provinces also, the similar grants which formerly appeared as contributions from Provincial to Local have now been brought under this head owing to the abolition of the local column in the accounts. The provision for agricultural development is raised in most provinces: the Amir's subsidy drawings are taken at 25 lakhs against 15 lakhs this year; and the expenditure on sanitation is increased by the amount of the special Imperial grant for that purpose. Minor differences are due to strengthening the petty court establishments in the Central Provinces and to the purchase of a new Hooghly pilot steamer in Bengal.

MISCELLANEOUS CIVIL CHARGES.

	Accounts, 1904-1905.	Accounts, 1905-1906.	Accounts, 1906-1907.	1907-1908.		1908-1909, Budget.
				Budget.	Revised.	
INDIA.						
Territorial and Political Pensions . . .	35,65,635	35,33,235	33,77,795	34,11,000	34,48,000	33,81,000
Civil Furlough and Absentee Allowances . . .	778	3,196	4,686	6,000	5,000	5,000
Superannuation Allowances and Pensions . . .	1,31,68,968	1,36,65,907	1,41,42,143	1,47,80,000	1,47,33,000	1,52,81,000
Stationery and Printing . . .	69,08,459	68,51,426	79,30,088	80,52,000	88,91,000	83,30,000
Miscellaneous . . .	59,22,600	74,33,605	62,56,856	66,46,000	69,15,000	44,07,000
TOTAL INDIA . . .	2,95,66,440	3,14,87,369	3,17,11,568	3,28,95,000	3,39,92,000	3,13,54,000
Equivalent in Sterling . . .	£ 1,971,096	£ 2,099,158	£ 2,114,105	£ 2,193,000	£ 2,266,100	£ 2,090,200
ENGLAND.						
Civil Furlough and Absentee Allowances . . .	211,338	226,859	243,015	312,000	339,000	337,500
Superannuation Allowances and Pensions . . .	1,909,664	1,909,157	2,004,949	2,021,500	2,024,000	2,043,500
Other Heads . . .	179,460	122,734	145,180	142,900	198,700	148,800
TOTAL ENGLAND . . .	2,390,462	2,348,750	2,393,144	2,476,400	2,561,700	2,529,800
TOTAL INDIA AND ENGLAND . . .	4,361,558	4,447,908	4,507,249	4,669,400	4,827,800	4,620,000

175. There has been a general excess over the estimate for stationery and printing requirements in all provinces, particularly Bengal; this has also affected the purchase of stores in England. A reversion to more normal conditions is anticipated for next year. Under the head Miscellaneous, the drop in the Budget figure for 1908-1909 is mainly formal. In the recasting of the figures for previous years which has been necessitated by the exclusion of the Local column, it was found impossible in two provinces to classify with precision the purposes for which certain large contributions to District Boards have hitherto been given: they have accordingly been entered as miscellaneous debits in the provincial accounts.

FAMINE RELIEF AND INSURANCE.

	Accounts, 1904-1905.	Accounts, 1905-1906.	Accounts, 1906-1907.	1907-1908.		1908-1909, Budget.
				Budget.	Revised.	
Famine Relief . . .	31,309	20,52,269	47,61,866	9,01,000	77,39,000	1,32,07,000
Construction of Protective Railways . . .	17,37,182	8,29,171	51,626	35,000	1,28,000	11,000
Construction of Protective Irrigation Works	32,25,200	44,48,593	53,46,902	70,00,000	61,13,000	60,00,000
Reduction or Avoidance of Debt . . .	1,00,06,451	76,83,928	49,85,746	70,61,000	37,50,000	37,50,000
TOTAL R	1,50,00,142	1,50,13,961	1,51,46,140	1,49,97,000	1,77,30,000	2,29,68,000
Equivalent in Sterling £	1,000,009	1,000,930	1,009,743	999,800	1,182,000	1,531,200

176. The grant of $1\frac{1}{2}$ crores which is provided in normal years under this head has hitherto been earmarked, in the first place, for famine relief if necessary; and in the second place, for protective railway and canal works up to a maximum of 75 lakhs; any balance that remained being made available for capital expenditure which would otherwise have had to be met from borrowed funds. In the present year, a special charge upon the grant has been created by the arrangements for building up provincial credits for famine expenditure which are described in paragraphs 48-56 of the Financial Statement for 1907-08. The $37\frac{1}{2}$ lakhs which are assigned to Local Governments under that scheme, are debited to this grant, whether the other claims upon it leave any balance or not. During the current year, the cost of famine relief is expected to be $2\frac{1}{2}$ lakhs in the Central Provinces, 6 in Bengal, $67\frac{1}{2}$ in the United Provinces and less than a lakh in Bombay and the Punjab. No financial restrictions have been placed on the programme of protective works for which budget provision was made before there was any indication of famine, the shortage of expenditure being the result purely of administrative difficulties in pushing on the works. The aggregate result is a large excess over the normal total of 150 lakhs. For the next year, this excess will be still larger, as the direct famine expenditure is taken at 10 lakhs in the Central Provinces, 10 in Bengal, 100 in the United Provinces, 3 in the Punjab, $2\frac{1}{2}$ in Madras and 5 in Bombay; while a liberal provision of 60 lakhs has been made for protective irrigation works which either could not be postponed without waste or are likely to be useful as providing labour in distressed areas.

RAILWAY REVENUE ACCOUNTS.

	Accounts, 1904-1905.	Accounts, 1905-1906.	Accounts, 1906-1907.	1907-1908.		1908-1909, Budget.
				Budget.	Revised.	
STATE RAILWAYS—						
Gross Receipts	34,29,57,820	35,38,43,684	38,67,16,172	40,12,43,000	41,14,13,000	43,60,93,000
Working Expenses	16,91,40,199	16,91,79,006	19,28,39,166	19,74,61,000	21,53,62,000	22,43,95,000
Net Receipts	17,38,17,621	18,46,64,678	19,38,77,006	20,37,82,000	19,60,51,000	21,16,98,000
Net Revenue equivalent at R15 = £1	11,587,841	12,310,978	12,925,133	13,585,400	13,070,100	14,113,200
Surplus Profits payable to Companies, Interest and other Charges—						
India converted at R15 = £1	3,706,646	4,307,692	2,956,708	4,920,800	3,190,700	3,334,200
England	5,624,051	5,735,338	7,415,286	6,278,800	7,536,800	8,303,400
Net Result	2,257,144	2,267,948	2,553,139	2,385,800	2,342,600	2,475,600
GUARANTEED RAILWAYS—						
Net Traffic Receipts converted at R15 = £1	1,074,814	921,975	398,801	410,000	225,300	...
Surplus Profits payable to Companies, Interest and other Charges—						
India converted at R15 = £1	138,593	128,913	41,702	36,500	23,500	...
England	1,045,143	1,038,620	584,751	581,800	570,000	...
Net Result	—108,922	—245,558	—227,652	—208,300	—374,800	...
Other Receipts	47,314	42,628	56,189	60,300	58,700	52,300
Other Charges	97,948	71,192	74,003	96,400	98,400	121,400
Net Result	—50,634	—28,504	—17,814	—36,100	—39,700	—69,100
TOTAL NET RESULT	2,097,588	1,993,826	2,307,673	2,141,400	1,928,100	2,406,500
STATISTICS—						
State Railways—						
Capital Expenditure to March 31—						
Expenditure by Government	127,302,433	148,270,119	156,199,185	160,778,152	164,512,985	169,161,785
Expenditure by Companies	41,614,265	41,887,721	43,375,393	45,043,421	45,494,093	46,938,993
Outlay on the East Indian Railway from Debentures raised by the Company	6,194,127	7,572,122	7,572,122	9,822,122	9,469,222	11,869,222
Outlay on the South Indian Railway by the Company	1,401,250	1,511,250	1,511,250	1,511,250	1,510,050	1,510,050
Outlay on the Bombay, Baroda and Central India Railway by the Company	...	...	...	400,000	...	500,000
Outlay on the Great Indian Peninsula Railway by the Company	...	...	...	...	...	1,000,000
TOTAL	176,512,075	199,241,212	208,657,950	217,554,945	220,986,350	230,980,050
Miles open on April 1	20,641	20,227	21,441	22,183	21,962	23,594
Guaranteed Railways—						
Miles open on April 1	1,408	1468	904	904	905	...

177. These figures have been examined and explained in Sections II and III. In the following table, a comparison is given, for the Railway Revenue Account as a whole, between the Budget figures for next year and the Budget and Revised figures of the current year.

	IN HUNDREDS OF POUNDS STERLING.			IN THOUSANDS OF RUPEES.		
	1907-1908.		1908-1909.	1907-1908.		1908-1909.
	Budget.	Revised.	Budget.	Budget.	Revised.	Budget.
Gross Receipts including net receipts of Guaranteed Railways, and repayments of advances of interest by Subsidised Companies	£ 27,219,800	£ 27,711,500	£ 29,125,200	₹ 40,82,97	₹ 41,56,72	₹ 43,68,78
Working Expenses	₹ 13,164,100	₹ 14,357,400	₹ 14,959,700	₹ 19,74,61	₹ 21,53,62	₹ 22,43,95
Interest, Annuities, Surplus profits payable to Companies, etc.	₹ 11,817,900	₹ 11,327,600	₹ 11,637,600	₹ 17,72,69	₹ 16,99,13	₹ 17,45,64
Miscellaneous Charges	96,400	98,400	121,400	₹ 14,46	₹ 14,76	₹ 18,21
NET RECEIPTS	£ 2,141,400	£ 1,928,100	£ 2,406,500	₹ 3,21,21	₹ 2,89,21	₹ 3,60,98

IRRIGATION.

IRRIGATION.	Accounts, 1904-1905.	Accounts, 1905-1906.	Accounts, 1906-1907.	1907-1908.		1908-1909, Budget.
				Budget.	Revised.	
MAJOR WORKS.						
Revenue	R 2,99,14,971	R 2,80,37,332	R 3,51,33,476	R 3,32,88,000	R 3,27,20,000	R 3,53,60,000
Expenditure	R 1,33,98,743	R 1,45,31,687	R 1,51,04,710	R 1,54,76,000	R 1,54,77,000	R 1,60,99,000
NET REVENUE IN INDIA	R 1,49,56,139	R 1,34,79,830	R 2,36,42,211	R 1,79,38,000	R 2,02,53,000	R 2,29,94,000
Equivalent in Sterling £ Expenditure: England £	997,076	898,656	1,576,147	1,195,900	1,350,200	1,533,000
NET REVENUE £	997,076	898,656	1,469,349	1,195,900	1,240,600	1,421,600
MINOR WORKS.						
Receipts—Direct	26,86,498	24,70,095	27,55,575	25,49,000	35,23,000	31,45,000
Expenditure	R 1,33,62,501	R 1,40,60,016	R 1,28,53,470	R 1,44,86,000	R 1,29,13,000	R 1,36,31,000
NET EXPENDITURE R	R 1,06,76,003	R 1,15,89,921	R 1,00,97,895	R 1,19,37,000	R 93,90,000	R 1,04,86,000
Equivalent in Sterling £	711,733	772,661	673,193	795,800	626,000	699,100
STATISTICS OF MAJOR WORKS.						
Capital Outlay to March 31	R 38,70,76,454	R 39,97,32,861	R 41,64,72,915	R 43,54,62,915	R 44,02,26,508	R 46,09,76,502
Equivalent in Sterling £	25,805,097	26,648,857	27,764,861	29,030,861	29,348,434	30,731,767

178. The figure of receipts estimated for 1907-1908 was well worked up to in every province except the Punjab, where revenue was lost on the Lower Chenab and the Lower Jhelum Canals in consequence of a bad wheat crop in 1906-1907: special remissions too had to be given owing to labour not being available to reap the crops in certain districts depopulated by famine. The other variations as between Revised and Budget 1907-1908 are nearly all of a formal character. In the first place, the share of Interest charges that is thrown on the Irrigation accounts has been reduced with effect from 1906-1907, as explained elsewhere in this statement, and distributed between England

and India; secondly, (the direct receipts from Minor Works have received a credit of 8·8 lakhs in Burma by transfer from the Land Revenue head (*vide* paragraph 112)); and thirdly, certain small irrigation works in Madras and the United Provinces have been moved from the Minor to the Major category with effect from the 1st April 1907. For next year the absence of the influences which adversely affected the Punjab Canals in 1907-1908, should allow for an improvement of over 22 lakhs in that province; and the demand for water in a dry *rabi* season in the United Provinces has suggested the bulk of the rest of the improvement in receipts.

OTHER PUBLIC WORKS.

EXPENDITURE.	R	R	R	1907-1908.		1908-1909, Budget.
				Budget.	Revised.	
India— Construction of Rail-ways charged to Provincial Revenues	437	1,014	13,432	4,000	17,000	14,000
Civil Works, Imperial	1,04,48,187	1,08,23,843	98,05,718	1,09,65,000	1,07,89,000	1,09,85,000
Civil Works, Provincial	4,12,55,416	5,10,29,268	5,45,42,760	5,66,16,000	5,83,54,000	5,49,05,000
TOTAL INDIA	5,17,04,040	6,18,54,125	6,43,61,910	6,75,85,000	6,91,60,000	6,58,94,000
Equivalent in Sterling	£ 3,446,936	£ 4,123,608	£ 4,290,794	£ 4,505,700	£ 4,610,600	£ 4,392,900
England— Civil Works	£ 73,882	£ 75,023	£ 68,758	£ 57,200	£ 68,700	£ 60,900
TOTAL EXPENDITURE £	3,520,818	4,198,631	4,359,552	4,562,900	4,679,300	4,453,800
RECEIPTS.	R	R	R	R	R	R
India	R 34,23,781	R 35,27,491	R 39,65,811	R 36,47,000	R 37,90,000	R 36,68,000
Equivalent in Sterling	£ 228,252	£ 235,166	£ 264,387	£ 243,100	£ 252,700	£ 244,500
England	£ 26,229	£ 19,338	£ 23,476	...	£ 1,600	...
TOTAL RECEIPTS £	254,481	254,504	287,863	243,100	254,300	244,500

179. The provinces which have most notably exceeded their Civil Works grants are the Central Provinces, Burma and Bombay; there have been savings, on the other hand, in the United Provinces, Punjab and Madras. In the Central Provinces the cost of taking over tools and stores from the Warora Colliery, and the expansion of the ordinary programme in distressed districts, were the chief reasons for over-spending: in Burma and Bombay, lapses under other heads of expenditure were freely utilized for pushing on public works. The saving in Madras was mainly due to the postponement of a number of water supply and drainage schemes: in the United Provinces and Punjab it was an intentional contribution to the cost of famine.

MILITARY SERVICES.

EXPENDITURE—	Accounts, 1904-1905.	Accounts, 1905-1906.	Accounts, 1906-1907.	1907-1908.		1908-1909, Budget.
				Budget.	Revised.	
INDIA—	R	R	R	R	R	R
Army . . .	21,15,87,775	21,15,01,656	21,20,86,585	21,89,03,000	21,11,64,000	21,56,01,000
Marine . . .	45,20,689	45,98,980	45,33,693	35,99,000	36,89,000	36,97,000
Military Works . . .	1,39,79,372	1,57,00,574	1,60,28,916	1,84,82,000	1,60,00,000	1,74,46,000
Special Defences . . .	5 38,613	11,28,782	14,11,302	18,85,000	14,35,000	4,55,000
TOTAL INDIA . . .	23,06,26,449	23,24,29,992	23,36,60,496	24,28,69,000	23,22,88,000	23,71,99,000
Equivalent in Sterling . . .	L 15,375,096	L 15,495,333	L 15,577,365	L 16,191,300	L 15,485,900	L 15,813,300
ENGLAND.						
Army . . .	6,069,843	5,167,020	5,518,740	4,757,400	4,677,000	4,599,100
Marine . . .	319,410	277,805	386,789	283,400	267,600	226,800
Military Works . . .	49,641	48,199	58,921	27,000	67,500	36,100
Special Defences . . .	92,387	71,054	44,271	20,000	22,500	79,100
TOTAL ENGLAND . . .	6,531,281	5,564,078	6,008,721	5,087,800	5,034,600	4,941,100
TOTAL EXPENDITURE . . .	21,906,377	21,059,411	21,526,086	21,279,100	20,520,500	20,754,400
RECEIPTS.						
INDIA—	R	R	R	R	R	R
Army . . .	91,02,271	99,30,824	1,11,83,628	1,01,05,000	94,66,000	75,51,000
Marine . . .	29,96,859	19,93,297	22,21,896	10,53,000	12,26,000	11,82,000
Military Works . . .	6,81,931	7,39,582	7,64,984	7,32,000	8,50,000	8,50,000
TOTAL INDIA . . .	1,27,81,061	1,26,63,703	1,41,70,508	1,18,90,000	1,15,42,000	95,83,000
Equivalent in Sterling . . .	L 852,071	L 844,247	L 944,700	L 792,700	L 769,500	L 638,900
ENGLAND.						
Army . . .	354,113	527,641	471,994	390,100	377,100	377,800
Marine . . .	4,000	10,84	49	...	...	...
Military Works . . .	...	...	...	...	...	...
TOTAL ENGLAND . . .	358,113	538,525	472,043	390,100	377,100	377,800
TOTAL RECEIPTS . . .	1,210,184	1,382,772	1,416,743	1,182,800	1,146,600	1,016,700

180. The figures in this and in the following table are fully explained by the Joint Secretary, Military Finance, in Appendix II.